

West Europe Report

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POLITICAL

DENMARK

VETERAN CONSERVATIVE PARTY MINISTER ON COALITION TENSIONS

Advice For Next Election

Copenhagen BERLINGSKE AFTEN in Danish 16-22 May 86 pp 1, 8

[Article by Solveig Rodsgard]

[Text] Minister of Justice Erik Ninn-Hansen, a veteran government politician, admits that the government is not functioning at its best, that there is a lackluster attitude among the government parties and that the Easter Package was a political mistake.

The government is having problems. The government parties are having difficulty keeping their spirits up; some Liberal Party members are threatening to call for an election because the Radical Liberals have made too many deals with the Social Democrats outside the government and because the sharp public debate between Prime Minister Poul Schluter and shipowner Marsk Mc-Kinney Moller on government economic policy and tax reform has created a stir in Parliament. However, some of the government's immediate problems have been self-inflicted because the adoption of the Easter Package was a political mistake.

This was the forthright evaluation of veteran government politician and Minister of Justice Erik Ninn-Hansen, who in appraising the political developments over the last few months for WEEKENDAVISEN was able to draw parallels between this government and that of VKR, of which he was also a member.

The Minister of Justice had this to say about the Easter Package and its increased taxation:

"Adoption of the Easter Package was most distasteful to the government because the package has no future political purpose. It may help bring about the necessary reduction in consumer spending for the time being, but it is not part of a nonsocialist policy.

Consequently, the adoption of this package, which is not in agreement with nonsocialist policy, has produced, if not a depressed attitude, at least a less active posture on the part of the government parties. I have noticed this among our own parliamentary members. I must admit that the spring of 1985 and 1986 were not good for the government. We did not acquit ourselves well in connection with the wage negotiations in March 1985. The result was good enough, but the approach could have been different. What happened in March of this year was not good for the government either. It has produced a lack of initiative, a somewhat poor attitude and a lack of cohesiveness.

There is no denying the fact that when the media now take the S-SF government alternative seriously, it is not simply because it is a new construction; it has something to do with the government's own situation. The government is not functioning at its best and there is an attitude crisis surrounding it. I had thought that winning the EC-package plebiscite last February would have strengthened the government. Instead of that, March became an unfortunate month for the government parties."

Wage Limit Exceeded

Erik Ninn-Hansen had this to say about disappointed nonsocialist voters' reaction and Marsk Mc-Kinney Moller's criticism:

"When a government has been in power as long as this one has, you begin to expect things the government cannot deliver. It was easier during the early government period when you could compare the policies of the Social Democratic and the nonsocialist governments. This is no longer done when you have been in power for some time. Voters want more from the government and sometimes make unrealistic demands.

And now and then we also lacked the support of groups that are now critical of us. We need to recognize, however, that an economic savings policy is not free. It generates a great deal of opposition, and there are also attempts to protect certain special interests--by saying, for instance--that these savings are hurting patients. We are getting very little support from the nonsocialists on this matter; they would rather join the chorus with respect to the hospital sector, for example.

I feel that those who talk about the government should refrain from being banal by simply stating that the government could save more. When industrial economists criticize the government, they should also say where the savings should be made.

On the whole, organizations and nonsocialist voters have been very understanding of the government's economic policy and have generally supported it. But since we adopted an income policy, and a particularly heavy-handed one in connection with the last wage agreement, it has been difficult to get industry to allow the policy to work. It is in industry that the 2-percent wage limit has been exceeded, not in areas where the government and municipalities are responsible, namely public employment. I admit that the situation is difficult for industry and that the temptation to exceed the wage limit is great when you can manufacture and sell more and create a better job climate by paying a few extra pennies. But if industry wants to criticize the government, it should also put its own house in order. No one can say that the government's income policy is not clear and concise. The government has been able to hold the line, while industry has not been able to comply with the law."

Tax Reform

The tax reform agreement between the government parties, the Social Democratic Party and the Radical Liberal Party has been criticized by Marsk Mc-Kinney Moller and, ever since the agreement was concluded less than a year ago, many nonsocialist voters have felt that the reform contains more Social Democratic than nonsocialist elements. This is what Erik Ninn-Hansen had to say about it:

"It is clear that the tax reform represents a compromise and one can always debate, of course, which elements might be ascribed to the nonsocialist parties, the Social Democratic Party or to the Radical Liberal Party. But I actually think the reform's content can be characterized by SF Kjeld Rahbak Moller's statement that the reform would have to be changed if the Social Democratic Party and SF (Socialist People's Party) were to form a government. It does, indeed, show that the nonsocialist parties' influence is quite considerable. Fortunately, I have also seen statements to the effect that the Social Democratic Party will, of course, honor the compromise.

Looking at the reform, I feel that its positive elements are the most important ones. Danish industry cannot be interested in compiling debts rather than savings. And savings is the essence of the reform. For one thing, I feel that the reform has sensibly solved the issue of interest deduction and, secondly, has provided that capital gains largely be taxed on the level with the lowest tax on working income. It is essential that investments pay. I also feel that the business provision in the reform affords industry the greatest possible consideration. But I am sorry that the tax law is still so complicated."

Tightening

"How will the government try to win the next election?"

"We have to tighten nonsocialist policies. It is important that we state what we wish to do as a nonsocialist government--even if we have to admit that as a minority government we cannot deliver everything. On that point we might learn something from the Social Democratic Party when it was in power.

The Social Democratic Party was never reluctant to say that the basis for its policies was the Social Democratic-Party program, but that as a minority government it would be necessary to yield in many areas. Similarly, the nonsocialist parties should not be afraid to say what they wish to do either; however, the parties must do so jointly. By making separate statements, which they tend to do once in a while, the government loses credibility."

"Are your hints to the Liberal Party on occasion part of some ideological campaign?"

"They are hints to everybody who reflect on them. I feel that the government parties should work together in the next few months to come up with a policy that can provide the basis for a nonsocialist government. But it is important to stand together. During the VKR government, the different parties wrote a variety of programs. The Conservative Party also wrote a program entitled "The Conservative Party of the Seventies." In retrospect, we can see that this was not very sensible. True enough, it was done because of an upcoming election and because of some problems within the VKR government. But the fact that we trumpeted a program of this kind did not enhance the VKR government's credibility."

Government Alternatives

"Are the problems of the VKR government about to repeat themselves in the Four-Party government?"

"The risk is there. It may be difficult to fulfill some of the rather great expectations. There were enormous expectations of the VKR government before it came to power. This was not the case as far as the Four-Party government was concerned, but the expectations grew when the government survived the January 1984 parliamentary election. And the expectations continue to grow. Like the VKR government, the Four-Party government is carrying out a rebuilding policy, but at the same time, this government also has to consider the large and well-established balance-of-payment deficit, which cannot be disposed of just like that. Therefore, the pressure of high taxes is something the two governments have in common to a degree. However, we should add that the VKR-

government situation was different from that of the Four-Party government in that the former was a majority government.

The opposition to the two governments is also different. The VKR government was established on the basis of a red cabinet. This led to such losses for the Social Democratic Party that everybody realized the party would not be part of another coalition.

This was, indeed, the case. Krag did not invite SF to join the coalition after the 1971 election. The formation of the Four-Party government probably was the result of some cooperation between S-SF prior to September 1982. Today, on the other hand, we know that the Social Democratic Party not only faces a red cabinet, but a socialist government. This demands something of the present government and of the four government parties' leadership. We must not lose ourselves in a profile race.

Voters will choose between a socialist and a nonsocialist government in the next parliamentary election. If the nonsocialist government appears weak and undecided or if there is a lack of cooperation between the government parties, voters will not be encouraged to vote for the nonsocialist government, leaving them less frightened of the alternative than they might otherwise be."

Clinging to Its Position

Being a minority government can pose a lot of problems, not least for the Four-Party government which has to administer legislation and decisions adopted outside the government, particularly in the area of security, legal, environmental and cultural policy. But Erik Ninn-Hansen felt that this also has its advantages:

"I actually believe that 70 to 80 percent of the voters think it is good to have a minority government, which has to consider as well as yield to others. Danes do not like overwhelmingly big confrontations. They prefer minority governments, whereby everybody has some say, including the opposition."

"The Four-Party government, on the other hand, has been criticized for clinging to its position to compensate for its defeat in the area of security policy, for example?"

"This is true. But I also know that if the government were to promote anything that was not central and vital to the government, it would be reviled for it later. I know very well what all smart voters would say if this government were to leave and, mind you, not return after the election, namely that it was imprudent.

The idea of talking about a premature election is a very bad idea. The opposition does it, of course, but a government that talks about an untimely election is suggesting that in fact it should

not really be a government. This is how it appears to voters. I would not preclude a situation in which the Four-Party government could face an election prior to fall of 1987 because something might happen, of course, in connection with the wage negotiations next spring. But we should stress that the government intends to complete its term. To remain in office as long as possible would be an expression of stability."

Paper Comments on 'Crisis'

Copenhagen BERLINGSKE TIDENDE in Danish 18 May 86 p 10

[Editorial]

[Text] Minister of Justice Erik Ninn-Hansen is not just anybody. He is a veteran with much experience and the Conservative-Party sage. Therefore, it should attract attention that he has found it necessary to confirm that there is an attitude crisis within the government. The Easter Package was not part of a nonsocialist policy and has produced, if not a depressed attitude, at least a less active posture on the part of the government parties. Ninn-Hansen was saying this in the very same week Poul Schluter reacted sharply to criticism and during the same hour the prime minister found it necessary to reject any and all allegations that there will be an election this fall.

This year is no different from previous years. When a parliamentary session nears its end, the tone becomes sharper. There are only a few weeks left and every politician longs to be able to get away from Christiansborg. This is good for the opposition, which tires of keeping up the pace, and it is good for the government, which is run down from the winter's hardships and needs a little time to reflect. Any government and party gets a fresh start at the end of summer, and this government, too, will be able to start afresh when Parliament convenes again in October. Furthermore, the big government reorganization might increase its chances to become better accepted when the new officeholders have had an opportunity to become better acquainted with the problems they are supposed to solve.

The four government parties have been together so long--and so much longer than expected--that the problems that might have seemed heavy in the beginning now have become even heavier to bear.

The government has lived with foreign- and security-policy problems and its voters have come to terms with this. It is more difficult for voters to come to terms with the fact that the government represents the minority in other areas as well and must administer laws it does not care for. While the Social Democrats' change of course on foreign policy must have been a bitter surprise, the other setbacks were predictable. A minority government has power, but not enough power. In time, this can lead to an attitude crisis among the government parties, and the minister of justice has confirmed that the government has been hit by such a crisis. This is the unavoidable result of the government's limited options.

For almost 4 years now the prime minister has exhibited a strong will and--what is equally important--considerable ability to steer his government through crises. There is no reason to believe that he will lose either his will or his ability during the summer. The words of warning expressed by Ninn-Hansen and others may just be an additional stimulus.

8952

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POLITICAL

FINLAND

MINORITY-WING NEWSPAPER CHALLENGES AALTO ON USSR TIES

Helsinki TIEDONANTAJA in Finnish 3 Jun 86 p 3

[Editorial: "Small Group Hampers SKP's Relations With CPSU"]

[Text] On Friday, May 23rd, HELSINGIN SANOMAT published Chairman Arvo Aalto's statement according to which "the minority's attempts to sever SKP [Finnish Communist Party] relations with the Communist Party of the Soviet Union have failed." Unfortunately, Aalto did not mention which minority he meant.

It is true that in recent years attempts have been made to sow suspicion about the sincerity of Soviet foreign policy, and this has even resulted in allegations about the supposedly aggressive nature of that policy. Recommendations have been made to establish a so-called independent peace movement against both superpowers. There has been a perceptibly favorable attitude toward conduct and measures which aim at weakening Finnish-Soviet friendship. Among party members and supporters, the claim has been cultivated that one must adopt a critical approach to the Soviet Union and existing socialism.

It has also been claimed that close relations with the CPSU deprive the SKP of independence, and there have been attempts to accuse the CPSU of interfering in the SKP's internal life. In this connection, some people have even insisted that we reexamine relations in general between our parties.

Where and from whom do such ideas originate? SKP members and friends remember that they have come from Arvo Aalto, Aarne Saarinen, Helja Tammissola, and certain other ax-liners. Aarne Saarinen has claimed several times that a leftwing party which has no relations with the CPSU could also succeed in Finland. Helja Tammissola, in turn, has urged that we "cut the umbilical cord which binds us to Moscow." So by no means is it a question of a minority but of a good 10 individuals at most. They have indeed failed in their attempts to sever relations with the CPSU. They have gone too far and crossed into the borderland where relations between the SKP and the CPSU extend to state relations between Finland and the Soviet Union.

On numerous occasions it has been confirmed in the Finnish press that the country's foreign-policy leaders, including the leadership of the Social Democratic Party and the Center Party, are alarmed by the SKP leaders' course of conduct. SUOMEN SOSIALIDEMOKRAATTI wrote, among other things, on 26 December 1985: "Capitalists

who engage in exports to the West, the Western lobby of the security-policy elite, the yuppie phenomenon, and the Finnish scraps of Eurocommunism in the SKP and the SKDL [Finnish People's Democratic League] constitute a motley group of factors which reinforce the picture of the social embrittlement of relations with the Soviet Union.

As early as 1982, the CPSU proclaimed its belief that the SKP membership would not allow anyone to undermine the SKP's policy of internationalism, which sets its sights on brotherly friendship with the CPSU and on the joint struggle for neighborly relations between Finland and the Soviet Union, for cooperation beneficial to both countries, and for permanent world peace. The SKP and the CPSU participate in an active exchange of ideas. Aalto, on the other hand, contends in HELSINGIN SANOMAT that "party relations are returning to normal."

This does not hold true, either. Party relations are and have been normal. No one else in the CPSU or SKP has considered them abnormal. Abnormal are the Aalto-led group's relations with the CPSU for the reasons already mentioned and others. Pressure from the membership as well as fear of deeper and deeper estrangement from domestic and foreign affairs have forced Aalto to speak about a normalization of relations with the CPSU. If the Aalto-led group sets out on this path, it means that at the same time it repudiates unfriendly and even hostile statements about the CPSU and the Soviet Union and about SKP-CPSU relations. It means that statements of this kind will cease in KANSAN UUTISET, KANSAN TAHTO, KANSAN AANI, SATAKUNNAN TYO, NY TID, KANTTI, and other printed matter overseen by the SKP group of leaders. It means that the people's democratic newspapers will provide a complete picture of CPSU domestic and foreign policy and will not, for example, censor General Secretary Mikhail Gorbachev's statements, as happened in the interview he gave to HUMANITE and in the television speech he delivered on the nuclear power plant damage in Chernobyl. It means that the SKP band of leaders and the SKDL parliamentary group will take active measures to prevent anti-Sovietism. And finally it means that there will be an end to the persecution of those who speak out on behalf of the SKP's unity and principal course of action and of those who defend Marxism-Leninism and solidarity with the CPSU. If, in their relations with the CPSU, Aalto and his band are returning to the traditional line approved by the SKP, it can be assumed that this will be judged by the CPSU in the appropriate manner. But Aalto's charge of CPSU involvement in the SKP's internal squabbles must be sternly condemned.

Concerning its relations with fraternal parties, the 27th party congress of the CPSU affirmed in its resolution: "The party congress proceeds from the principle that the communist movement's polymorphism is not the same as disconnectedness, just as unity has nothing to do with conformity, hierarchy, and intervention in other parties' affairs or with some party's aspiration to monopolize the truth. The strength of the communist movement is in its bold and creative approach to new realities on the basis of the doctrines of Marx, Engels, and Lenin, in its class solidarity, and in the equally significant cooperation of all fraternal parties in the struggle to achieve the common goals of peace and socialism. These goals are the decisive factors which unite communists of different countries. The party congress assigns the CPSU Central Committee the task of promoting in every possible way this sort of cooperation and solidarity among communist and labor parties."

POLITICAL

FINLAND

CENTRAL COMMITTEE EJECTS OVER 10,000 CP MINORITY MEMBERS

Helsinki HELSINGIN SANOMAT in Finnish 14 Jun 86 p 9

[Article: "SKP Expels 494 Divisions and Over 10,000 Members: Repartition of Communist Party Completed"]

[Text] Yesterday, Friday the 13th, was a historical day for the SKP [Finnish Communist Party], according to Chairman Arvo Aalto, because on that day the party's internal state was finally made consistent with party bylaws.

This means that on Friday the SKP Central Committee decided to expel from party membership 494 minority divisions which, despite appeals, have not felt inclined to return to the majority party's fold.

"The SKP is now completely rid of the cliquishness which has severely strained the party, and we are operating normally," said Aalto after the Central Committee meeting.

Esko Vainionpaa, the party's general secretary, confirmed at the meeting that in May the Central Committee had sent to the 504 divisions a letter in which they were urged to resume normal party activity.

The minority divisions did not take the majority members' appeal very seriously, because only 41 of them bothered to respond in the negative. The reply of 10 divisions has led to follow-up discussions, and their membership in the SKP will continue for the time being at least.

Most of the divisions failed to respond, however. In Vainionpaa's opinion, this indicates, among other things, that most of the minority divisions have in fact functioned only on paper.

Vainionpaa notified the Central Committee on Friday that it now has no choice but to confirm that the membership of the divisions and their enrollees in the SKP has ended.

805 Divisions Remain

After the expulsions, the SKP is left with 805 party divisions in which, according to the majority estimate, there are roughly 20,000 members. There are 15,000 of them, however, according to minority arithmetic.

On Friday, the Central Committee still left the door open to individual members who want to return to the party. It is possible to do this by joining the majority divisions.

Although Arvo Aalto is not famous for his statements at historical moments, he was perhaps more unassuming than usual on Friday as he analyzed his feelings after the recent expulsions. "Now the buildup of the party begins. It will take hard work to turn the SKP into a significant factor in power politics. It won't be a bed of roses," he said.

New Stand on Nuclear Power

The nuclear accident at Chernobyl has also made the SKP change its standpoint on nuclear power. The Central Committee stated on Friday that there are still serious problems with the generation of nuclear power, so there is no reason to construct additional nuclear power plants in Finland.

The Central Committee also feels that measures to assure the safe operation of existing nuclear power plants must be emphasized.

12327

CSO: 3617/126

POLITICAL

FRANCE

CHALANDON ON CHANGES IN SECURITY, JUSTICE POLICIES

Paris LE QUOTIDIEN DE PARIS in French 5 Jun 86 pp 16-17

[Interview with Albin Chalandon, minister of justice, by Patrice Carmouze and Paul Guilbert; date and place not given]

[Text] Justice is in danger of dying. Slowly but surely. That, clearly, is the diagnosis of the new minister of justice, Albin Chalandon. How, then, can we give him the means he is cruelly lacking at the very time when the state is undertaking a deficit-reduction policy? "By using imagination and even audacity," replies the justice minister in the interview he has just granted QUOTIDIEN. That is how he expects to impose—as he did a few years ago for highways—the privatization of financing and prison construction.

Detaching himself from his immediate predecessors, Albin Chalandon expects to trace a new route for the justice ministry: that of simplification and rationalization. That is why he favors, notably, a pause in legislation: "Let us," he says, "stop multiplying inapplicable or contradictory texts."

Justice Minister Albin Chalandon is also one of the most consulted and most headed men of experience in this government. It can be noted that he is reserved concerning the principles of cohabitation—to which, unlike Raymond Barre, he is not opposed, since he is a participant—which, according to him, is "the shadow side" of the 1958 constitution. "I cannot say that the present situation means that the institutions are functioning well," he explains.

Why, then, has he accepted the duties which are his in such a delicate period? Because, he replies, the government has rejected politics and accommodation, and because it is carrying out the only effective policy possible.

[Question] What was your biggest surprise on becoming minister of justice? Was there something you did not even suspect?

[Answer] The work. I thought this was a ministry in which I would lead a more tranquil life than in other positions I have held. However, the amount of work here is substantial. Furthermore, my constant presence is required. Every day some delicate question arises which needs to be answered. The justice

ministry itself is already a vast domain, but it is involved in the government's entire spectrum of activity whenever such activity is of a legislative character.

[Question] And basically what are the problems you encounter?

[Answer] The justice system is in peril. The public dispensing of justice is assured under conditions which are not normal and which, at the very outside, could be considered a denial of justice. In certain places in France the system functions so slowly that one might speak of an absence of justice. I knew that this sluggishness existed, but I had not measured its exact scope. In the matter of security, for example, the problem is not so much that the judges do not hand down severe sentences. They do. The difficulty arises in the conditions under which the sentences are carried out, the chief cause being over crowding in the prison system. Today one is obliged to manage the justice system according to existing space in the prisons: the justice system, then, is at the service of the prisons, rather than the reverse!

[Question] You have said that the justice system was sacrificed 40 years ago. However, if one goes down the list of all the justice ministers who have held your position, from Michel Debre to Robert Badinter, one finds that they are all eminent men. How can it be that none of them was able to impose a future reform of the justice system?

[Answer] When I say that justice has been sacrificed, I am not talking about reforms which have been accomplished. I have even indicated that there has been an excess of legislative reforms. Texts of laws in all areas, not just in the area of justice, have been accumulated. However, when a judge is asked to state the law, he finds himself confronted by texts which are sometimes inapplicable, sometimes contradictory, and which render his task more and more difficult. I myself am in favor of a legislative pause. One must either plug holes where they exist--that is the case with texts on security, which I will weigh-or adapt old laws. But most often it is necessary first to trim and to simplify. When I speak of sacrifice, it is to the budget question that I refer. The Justice Ministry has never had the budget it deserved. An effort was made when Michel Debre was justice minister, making it possible to reevaluate the condition of the magistrates. Outside of that, in no area has the justice system been able to benefit from the appropriations which are accorded it in countries comparable to ours.

[Question] How do you explain that?

[Answer] That is explained very well by the fact that the state having become more and more meddlesome and assuming the role of protector, its funds are dispersed, to the detriment of its traditional functions. The budgets which are most sacrificed are those for old projects, the territorial budgets and those of the Justice and Foreign Affairs Ministries, for the simple reason that there are no lobbies, no pressure groups in these areas.

[Question] If you had full powers and the necessary means, what priority measures would you take?

[Answer] The path is already laid out. One of the government's priorities--the other being the struggle against unemployment--is to carry out a security policy, and to do this well it is first necessary to remove the blockage caused by an overpopulated prison world.

[Question] What solution do you prefer: substitutes for prisons or the construction of new prisons?

[Answer] Both. We must certainly diversify sentences, find other forms of punishment. With regard to prisons, we must also diversify these and stop mixing the prison population and find forms of incarceration which are less costly to implement. This requires an exercise of the imagination.

In the matter of finances, it requires more than imagination and audacity for a very simple reason: The government has encountered a budget situation which is forcing it to reduce its deficits. I therefore do not expect anything extraordinary from the 1987 budget. We will probably receive an overall extension at the end of the year which will permit us to anticipate the 1987 budget, but I will not receive the radical change in the amount which I would need to confront the problems we have. The difficulty arises, therefore, from the fact that I want to become involved in the general effort to reduce state expenditures and at the same time to have at my disposal new monies for the Justice Ministry.

[Question] Specifically, are there already any study commissions which are proposing prisons constructed by private contractors?

[Answer] There are countries in which this is the current practice, such as the United States. In France we are still enclosed within a very traditional, very purist concept of public service. We must break out of it. And I believe the difficulty of the times and budgetary constraints will permit us to get through a series of phases quite rapidly.

The first would be the privatization of financing, which one could obtain either by borrowing--but budget regulations do not permit that--or by going to the financial market for the capital to finance the construction of prisons and to make a sort of state time purchase.

The second phase would consist of also privatizing the planning and execution of the work: we would ask the business firms to construct and deliver prisons to us. Several proposals would be offered and preference given to those who come up with the lowest bids and the most advantageous financial terms. That is the formula which I prefer, actually. I can tell you here and now that several business firms have already spoken. And I am convinced that by favoring these new solutions, we will arrive at a lowering of the important costs.

[Question] This plan for at least partial privatization--will it meet with any resistance?

[Answer] The obstacles are more psychological than material. The agencies of the Justice Ministry have their habits, and it is evident that for them it is a change as radical as the one I imposed several years ago on Bridges and Roads, when I created the private highways. But we will find very quickly that we cannot obtain the necessary money to field the troops the Justice Ministry needs and at the same time make the effort necessary to get the equipment. On that basis, the eventual resistance of some or others will appear ridiculous in view of the problems to which the justice system is exposed.

[Question] Do you agree with Giscard's formula: "Prison is the deprivation of freedom and nothing else?"

[Answer] Prison is the deprivation of freedom, but the prisoner also has a right to rehabilitation. Every man who has committed a crime, however serious, is a man. He has a right to his dignity. If one has seen a prison, one understands that we must give the prisoners the chance to return to society. A democracy worthy of its name cannot ensure a sort of universal security, thanks to the action of a state-protector, to all sectors of the population, with the exception of those who are in prison. And I will add: particularly when crime is as great a phenomenon as it has become among us.

[Question] From a philosophical point of view, how do you differ from your two predecessors, Alain Peyrefitte and Robert Badinter?

[Answer] I have only been here for 2 months. Alain Peyrefitte stayed 4 years and Robert Badinter nearly 5 years in this Ministry. Therefore it is too soon to make that sort of comparison. What can be said is that among the criminal measures the government is proposing, none is so ambitious and sweeping as that of Alain Peyrefitte who, with his Security and Freedom Law, in fact proposed a new penal code; nor is this set of measures at all comparable to the proposed penal code submitted to the Senate by Robert Badinter.

[Question] What is going to happen with the proposed penal code?

[Answer] It is not the entire penal code. It is barely half. It is going to be taken up again and reexamined, taking into account the different philosophies which inspired the preceding administration and also our own. Certain provisions of this code have been restated in the proposals which I am shortly going to defend. There are perhaps others which will have to be reviewed and corrected. However, as I have told you, my goal is a legislative pause. If the penal code is to be translated into upheavals which even further complicate the task of the magistrates, I will disagree. If it appears, on the contrary, that their task is being simplified, I will continue with it. Generally, I believe we must return more importance to jurisprudence in order to break out of the uncertainties to which the judges, and consequently those being judged, are subjected because of these unacceptable or contradictory texts of which I have spoken.

[Question] How do you justify the principle and the introduction into usage of tamper-proof I.D. cards?

[Answer] I am not all offended, personally, by identity control. I am not in any way attacking our freedoms by participating in the reestablishment of this control, any more than I feel that I am attacked, as a citizen, if someone asks me to prove my own identity. Naturally, the conditions under which these controls will be used must be well defined, and we must see to it that any excesses which might arise are avoided. That is what we are going to try to do in defining precisely the procedures and limits of these controls. I have indicated, in addition, that I wish to have the rights of individuals posted in the central police stations, and a written communication sent to those who would be the object of these controls, so that they know exactly what their rights are.

In our situation today, if we wish to get the problem of illegal immigration under control, it is absolutely necessary to have this type of card. Let us look at the actual situation: Illegal immigration has developed in these last few years precisely because the preceding administration opened wide the gates and did away with the machinery which permitted control of immigration. Insofar as one might wish to stop this flow, there is no efficacious method other than identity control, if one is to fight the incredible tide of false I.D. cards and the traffic in them, upon which illegal immigration depends. All this is necessary in a time of insecurity, with an immigration of which we must also have the courage to say that it is one of the major sources of crime, particularly drug-related crime. I might add that the tamper-proof I.D. card is not a humiliation. Therefore I do not really understand all the fuss about this matter.

[Question] How do you evaluate the traditional rivalry between the Interior Ministry and the Justice Ministry?

[Answer] There is no rivalry between them, but rather different attitudes which arise from the nature of things, and sometimes also from lack of understanding within the government, which is not the case today. It goes without saying that the Interior Ministry is interested in having the maximum means available to carry out its task, which is that of maintaining order. The justice minister, on the other hand, is the guardian of the law.

In reality, it is a false argument that someone is trying to create between the two ministries. On the one hand, the proposed laws which have been retained by the government are very much on the side of the written and unwritten laws which constitute, in a democracy, the guarantee of individual freedom. On the other hand, it must be remembered that the notion of freedom certainly includes the freedom of the individual, but it also includes public freedoms, because there is no individual freedom without a peaceful order of things.

[Question] It is reported that the president of the republic has warned the Council of Ministers against any backing away from a state of law. Do you feel that this is aimed at you?

[Answer] While it is not usual to discuss what takes place within the Council of Ministers, I have noted simply that the proposed laws which I have

presented did not draw any comments from the chief of state who, however, did not hesitate to make comments about other proposals.

[Question] Would you say that the state of law was strengthened in France under the ministry of your predecessor?

[Answer] One must consider the form and the substance. If it happens that a piece of legislation which responds to a legitimate ideal of strengthening the rights of the individual, including those of the condemned, actually results in the opposite of the intended effect, that is to say, if it calls into question, through public disorder, the most essential rights of the individual, then this action is no longer legitimate or defensible. One must find a permanent balance. I believe that the actions of my predecessor, a jurist whose concept of the law moved him to defend all facets of individual rights, provoked a certain imbalance, which translated into the manner in which justice was rendered.

Our justice system is a system of men, not of God. It is curious to see that in our modern societies it is those who have a lay concept of society who have the most absolute idea of justice: a justice which should be that of God. Justice is fragile, relative, inscribed in the environment of a society. If that society is peaceful, one can go far in the development of individual rights. But if it is no longer peaceful, justice must react and bend. That is France's problem today. We have a justice system which, since the war, has been dominated by its educational, preventive role—that of a social bystander. Little by little this role, clearly strengthened since 1981, has taken precedence over the traditional function of justice, which is that of punishment, chastisement, reparation and deprivation of liberty for the condemned. I believe there has been an exaggeration in this sense, to the detriment of the latter role, and that there is now some correcting to be done, because French society, threatened by several types of crime, terrorism or mass delinquency, demands it.

[Question] If cohabitation is not the ideal regime, might one say, however, that it is working well?

[Answer] It works. To say that it works well—in comparison with what? If it is in comparison with the traditional situation of the Fifth Republic, where the president was the chief of the executive branch and the government acted under his direction, under his political and moral cloak, I say that it does not function as well.

There are certain people who pretend that such a regime is better than the old one because it limits the executive power: this opinion is contained in the tradition of the philosopher Alain, who explained, between the two wars, that democracy was the organization of non-power. We found that out in France at the end of the Third Republic and under the Fourth. For my own part, the only reason I have taken part in politics is that I was personally scandalized by such a system, in which the most eminent statesmen were vowed to powerlessness and condemned to despair. I had this experience with a remarkable man with whom I had occasion to work, Rene Mayer, who was minister,

justice minister, president of the Council—a lofty intelligence which was flattened by the system. I made my choice a long time ago: there must be a strong executive power, sheltered from turbulence. I can not therefore tell you that the current situation indicates that the institutions are working well, because when a minister presents a proposal and the president of the republic tells him it is a bad one and announces this to the public, this is not good. When one says that the president of the republic plays the role of arbiter, that is a fiction. The president has a certain political bent; he has carried out the policy for which he was elected. Today there is a majority which is dismantling this policy, and therefore he cannot be an arbiter.

[Question] Could not cohabitation represent an attainment of political civilization insofar as it would permit the French people to cast off extremes, as Michel Rocard, for example, maintains?

[Answer] If cohabitation is not working satisfactorily, if as the months pass it can be seen that this practice paralyzes government activity and creates uneasiness among the people, I believe that this might lead, on the contrary, to the strengthening of extremism. We are in a bi-polar system, with two camps which have demonstrated their capacity to practice alternation: certainly our constitution, with one side—the side we have known since 1958—exposed to the light and the other side in shadow, which is what we presently have, lacks something. But is there a perfect constitution?

[Question] What would be the mechanical condition for a breakdown of cohabitation?

[Answer] A rupture could not occur except by initiative of the president of the republic. Either he makes the decision to end it by dissolution or resignation, or cohabitation results in a conflict which cannot be resolved, the government resigns and the president forms another government, after which there would be a return to the first situation. The game is therefore entirely in his hands.

[Question] Are French businessmen ready to make their liberal cultural revolution, double or nothing, as the government and as you, in a recent book, have invited them to do?

[Answer] They will be forced into it by events. It is true that there is in France a minority of very active enterprises; many owners are afraid to participate in a policy of economic freedom and prefer a system under which they feel protected by the state. The cultural revolution they must undertake concerns them as well as the French people. Contrary to what is being said, the government took this route very quickly. I have always considered it to be a question of a long, long march, that we cannot break out overnight from a state system in which we have been caught up for 40 years. The businessmen are going to realize, little by little, the situation they are in, and they will recover the reflexes they have lost. One should not be surprised if the response is not immediate. The government has served notice of its orientation and its will; the proposed laws which will

render it effective are being voted upon. One can see very well, despite recourse to the famous Article 49-3, that the parliament works slowly. Only toward the end of July will we notice a different climate and will business firms be able to confirm that their environment has changed. But we must not expect a sudden change.

[Question] Are you not afraid that a certain pessimism in government debates will hold back any expression of confidence?

[Answer] One must know where one is, all the same. I did not cease to declare, during my electoral campaign in the north, that the situation of French industry was just the opposite of what the government of the time was saying. While it was telling the French people that modernization was going by leaps and bounds, actually French industry was going downhill and falling behind. One must know, therefore, the level from which one is starting; however, that level is low. Confidence is not a magic wand; it is the translation of tens of thousands of daily decisions which, when added up, cause a dynamism and a change in behavior. There can be a rugged surge of confidence in the movements of capital, which has happened, but to restart the economy means a long haul, with a rhythm that one can only hope will accelerate. The country's recovery does not mean, either, that unemployment will not increase at first; one must not confuse ideas.

I would answer you, then:

1) that failure to tell the truth has been a political mistake and displays lack of courage;

2) that the government has launched itself on a radically new path, which is unsettling because breaking out of the administered economy and controlling the traditional inflationary pressures are two tasks with contradictory starting points. The government does it with so much more merit when it does its job as if there were no presidential election in view, by rejecting politics and easy demagoguery. I think the French are reasonable people and that we must do as we are doing, because it concerns the future of the country, its decadence or its survival; our citizens know this. The problem is not one of pessimism or optimism. It is one of effectiveness in action. The policy we are following is the only one possible, the only effective one.

How Victims of Attacks Will Be Compensated

In LE QUOTIDIEN of 28 May, Charles Pasqua announced that the government would very soon take measures to compensate victims of terrorist attacks. We can confirm today that these measures will take the form of an additional article in the proposed law on terrorism adopted last week by the Council of Ministers. This article will be introduced by Jacques Toubon on behalf of the RPR [Rally for the Republic]

For the present, it will be decided that the state will fully compensate victims of attacks which have already taken place and in which it is known that in the absence of any legislation, they have been abandoned for the moment.

For the future, and in matters concerning property damages, the system to be implemented will be analagous to that organized by the 1982 law on natural disasters: these damages will be covered by the insurance companies, but such compensation will not be granted until the state has declared that a given explosion was indeed a terrorist attack.

On the other hand, with regard to bodily injury, the state will compensate victims directly. Certainly one might imagine that in these cases also the insurance companies might intervene, and one can understand very well why this solution is preferred by the finance minister. But a position was taken on principle here: in this domain only intervention by the state was conceivable. Not to mention expedient.

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POLITICAL

FRANCE

PCF'S LEROY ON PRESS FREEDOM, PROPOSED CHANGE IN LAW

Paris L'HUMANITE in French 11 June 86 p 8

[Article: "The Future: Pluralism"]

[Text] In protesting to the National Assembly that the bill introduced by the minister in his opinion is unconstitutional and therefore unacceptable, Roland Leroy stated the following:

"Our national history contains a long tradition that has been tied in with struggles for freedom of the press. It has its spokesmen, among the enlightened middle class and intellectuals—Hugo, Zola—its anonymous fighters, craftsmen, workers in the emerging, then triumphant, industrial society, trade unionists, revolutionaries. It has its heroes as well as its tyrants. In the past, struggles for great democratic and social gains that have shaped our society, not without jolts, contradictions, and victims, have wrung new rights for the press from a similar change in the government in office. It is a characteristic of our history. This was the case with the 1881 law, which preceded by a little the law of 21 March 1884, which legalized the existence of trade unions. Such was the case with the edict of 26 August 1944, which was a direct result of the National Resistance Council's program, which contained a provision that specified, after the betrayal of the moneyed press, the need for the press to be "independent of those in power and the influences of money and foreign elements."

"Enacted under the authority of General de Gaulle, this vital text drew lessons from the shameful practices of the pre-war and the occupation periods. It made it possible to set up and to establish rights and practices for the creation of conditions for a renewed, and profoundly democratized, press: disclosure on the part of management, disclosure of funds, a ban on capitalist concentrations—that was the spirit of the edict. It was based on the correct idea that information should not be viewed as a mere commodity.

"Those principles, which the government and moneyed power have never wanted to respect nor caused to be respected, are what you, Mr Minister, together with your reactionary majority, are attacking. Your text aims to perpetuate the exclusive reign of the law of money, just as you have endeavored to

enforce it since the beginning of the legislature in all spheres of legislation.

"It is a reactionary text.

"Our group had affirmed this when the 1984 law was discussed: the definition and the provision of additional economic aid to the press should of necessity accompany a specific provision for disclosure, in order to render useless mechanisms that generate concentration of rights and uniformity of content.

"That is why our group for years has been calling for the abolition of article 39 bis of the General Tax Code, which the Vedel report 7 years ago and the 1984 Audit Office Report revealed to be unjust, in that it tends to aid rich newspapers and to increase the difficulties of poor newspapers.

"Based on this, it is necessary to establish a fund to aid in the modernization of the press, by reorganizing TVA [Value-Added Tax], ~~etc.~~, and once again instituting preferential postal rates.

"These measures are essential, not only if perpetuation is desired, but also for the creation of conditions that will provide a new impetus for a press with different viewpoints in our country, allowing it to affirm the mission of forming opinions, expressing civic thinking, providing education, and allowing for the exercise of freedom that today calls for further development of democracy in our society.

"In our region of Normandy, in Seine-Maritime, Saint-Etienne-du Rouvray, and Gerand-Couronne, the workers, staffs, factory technicians of La Chapelle-Darblay know to what extent employer greed is practiced, not only and always at their expense, at the expense in particular of their employment, but also at the expense of the national interest which has long been threatened by the questionable enterprise that insures for itself 85 percent of the national production of newsprint. If this enterprise is still in operation and is performing its work, we owe it only to the struggle of these workers (...).

"Your bill is similar to a scorpion. Its poison comes at the tail end, in the last provision of the bill, which abolishes the edict of 1944 and the law of 1984," added the director of L'HUMANITE before his conclusion on the unacceptability of a law that is inconsistent with the Constitution and the principles "that our people have won."

"It is symptomatic that the provisions of the bill do not concern themselves, as indicated in article 2 of the bill, with press publications, but with press enterprises; which gets back to viewing the press as a whole, including press viewpoints, as an ordinary market product, and endeavoring to subject it to a common law economic situation.

"The written press, which now sees the right to information, which has become one of the rights of contemporary man, scoffed at and compromised, as are all other rights by your policy, has—in our opinion—an irreplaceable role to play. It is true on the scientific as well as the cultural level, on the social as well as the political level.

"No other means of expression is capable of giving as much information in so little space and time and nothing renders the shades of meaning of a thought or the diversity of a reality as does a written message.

"Written works are the creative data bank from which other medias draw their material, and the written press is nowhere so thriving as in the countries where audio-visual means are most highly developed. In this regard, a recent study covering the last 20 years shows that average circulation each day for 1,000 inhabitants has increased 43 percent in Japan, 37 percent in the FRG, 14 percent in The Netherlands, 8 percent in Canada.

~~"It has an irreplaceable role to play because it is a tool in the analysis of information, provided that the press remains pluralist, the place of preference for discussion and controversy.~~

"In order for information not to be propaganda in the narrow sense of the term, but an element of knowledge and reflection, it must be based on a comparison of viewpoints, a confrontation of ideas. This is also why pluralism of expression is a requirement for its preservation—a real pluralism, not the pluralism of laundry marks. This is why—in our opinion—it must fulfill a true mission in the public interest, which means permanence of an ensemble of independent publications (...).

"The law adopted without a vote on 23 October 1984—we had said this—could not, by mere proclamation of formal principles, create the conditions for a reform of this situation; and the refusal of the then government to do justice in the "Lyons Improvement" matter confirms the absence of this necessary political willingness.

"If the Communist Party is today the only party to have been able to preserve a central organ, it is a result of militant support and the support provided by the activity of the revolutionary party to the press.

"But, as with any public opinion press—and still more because it is Communist—our press is constantly under the threat of financial asphyxiation. It is a victim of serious discrimination in the realm of advertising on the part of both private and public enterprise. Let us note in passing that, from the point of view of correct management of enterprises, this constitutes a commercial aberration.

"The financial, regulatory, and tax provisions, upheld by preceding governments and favorable to the richest newspapers, make it difficult, if not impossible, for a public opinion press to exist.

"This is the situation that you propose to prolong with the bill that you are introducing to Parliament today."

Roland Leroy then said that "the Pericard Amendment is no more than a provision of no consequence," which by no means will prevent the development of press groups. Then he reported on Communist proposals.

8255

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POLITICAL

FRANCE

DEBRE ON CONSTITUTIONAL, PRACTICAL ASPECTS OF COHABITATION

Paris LE QUOTIDIEN DE PARIS in French 11 Jun 86 p 9

[Interview with former Prime Minister Michel Debre by Philippe Brunet; date and place not given]

[Text] In an interview with LE QUOTIDIEN DE PARIS former Prime Minister Michel Debre stated that President Francois Mitterrand "speaks the language of a fighter for a certain political point of view and that "this kind of behavior, over the long run, can only cause the failure of cohabitation."

Michel Debre, former prime minister under General de Gaulle and who, to some extent, remains the guardian of Gaullist orthodoxy, has said very little since the legislative elections of 16 March 1986. Simultaneously an actor on the national scene--we recently saw him propose amendments to the government in the National Assembly--and an observer of French political life, the father of the Constitution of the Fifth Republic is one of the persons best placed to comment on the way in which the constitution has stood the test of cohabitation. LE QUOTIDIEN DE PARIS therefore asked the former prime minister to review what has happened to cohabitation in the past 2 1/2 months and also to give his views on current French political and economic developments. In talking to Michel Debre, who has served as minister of justice, economy and finance, foreign affairs, and defense, there is no shortage of subjects!

In this interview with LE QUOTIDIEN DE PARIS Michel Debre expressed particular regret that Francois Mitterrand has too often acted, and for some time, as a socialist candidate in the next presidential elections. Therefore, Debre was relatively pessimistic about the prospects for a continuation of cohabitation.

[Question] Certain figures in the government have recently expressed their desire to see it move more quickly to carry the program for which it was elected. Is the government acting as quickly as you would wish?

[Answer] That question can't be answered until July. As the proverb goes, you must not confuse speed and being too hasty. If the overall performance is satisfactory by the time of the summer vacations, no criticism can be made from that point of view. Therefore, to answer you, it is still necessary to wait for another 2 months because, it seems to me, impatience is not always a good counselor.

[Question] A certain number of reforms have already been undertaken. In your view, are these a demonstration of the will of the government to carry out its policies?

[Answer] No doubt there have been some dark spots. Public opinion is very concerned, and properly so, for action in the television area where, it seems to me, the maintenance of a socialist and leftist stamp on the news is affecting the honesty of the information available to us and the balance between the different political tendencies. With some reservations on this matter and on what we just said on economic problems, the government has made a start on implementing its electoral platform, and that's good.

[Question] What do you think of the "reserved" attitude which some members of the new majority supporting the government have adopted from the beginning?

[Answer] We don't have to beat around the bush. We are 2 years away from presidential elections and, for this reason, as is normal in a democracy, personal problems are entering into consideration. These personal problems, behind the necessary party unity, can lead to a certain attitude of "wait and see." Having said that, I think that, for the most part, the results of the parliamentary elections were good, and the government majority is holding up well. The prime minister is acting less as the president of the RPR than as the leader of a majority whose unity he considers necessary. It is also necessary for each participant in this majority to share this point of view.

[Question] You never had any particular concerns about the way in which cohabitation would function because, in your view, the constitution is very "flexible." Speaking in constitutional terms, how do you sum up the present status of cohabitation which, in your own words, is more of "a problem of personalities?"

[Answer] I not only said that the constitution is flexible but also that it specifically makes cohabitation possible. There is no doubt that General de Gaulle would never have accepted the idea of cohabitation because his concept of the government did not allow the president of the republic to be anything less than responsible for the government of France. However, it is no less certain that the constitution foresaw the possibility of cohabitation. How could it not have anticipated this situation, once it provided that the president and the legislative branch originated in separate elections? Everything depends on good faith and the sense of the public interest.

[Question] This constitution has gone through two changes of government and is perhaps half way through another such change.

[Answer] Yes. As always, there are the rules, on the one hand, and the men who apply them, on the other. Cohabitation presupposes a certain state of

mind. It seems to me that this state of mind has been well displayed by the government and the prime minister, particularly by recognizing the president's right to follow the development of foreign affairs and defense. However, I am not sure that the government is being repaid in return. In fact, the president of the republic has two hats. The chief of state tends on occasion to use the language appropriate to his position. However, he is also the leader of the government majority which was defeated in the recent elections and perhaps he will be the socialist candidate in the next presidential elections. As a result, he speaks the language of a fighter for a certain political point of view. This kind of behavior, over the long run, can only cause the failure of cohabitation.

[Question] Since that is the case, do you think that cohabitation can last until the presidential elections, or do you expect it to fail rather more rapidly, and in what way?

[Answer] It is always difficult and, at times, unsuitable to engage in political speculation. If I look at the text of the laws and the constitution and if I try to define a line of conduct suited to the general interest, which now involves the economic recovery of France, I wish that cohabitation would last until the normal end of the term of the president of the republic. In effect, despite a questionable electoral system, the people elected a certain majority, with a certain program and a certain hope for the future. Respect for the people's will would demand that the government and the majority supporting it should have their hands free.

However, once again, there are two personalities in the person of the president of the republic. That is, he is both chief of state and the leader of yesterday's majority who is thinking of gaining his revenge. This simple fact, which is aggravated from time to time by the indication of disagreements between the president and the government, helps to create a psychological climate which is not very propitious for economic recovery.

[Question] What "disagreements" are you referring to in this connection?

[Answer] That is often shown by "reproaches" which he expresses regarding certain actions or certain orientations adopted by the government. And, in a general way, by not discouraging the opposition from preparing for an elections campaign at an early date.

[Question] The news recently gave us an example of one of these "reproaches": Francois Mitterrand has let it be known that he was opposed to a defense policy which would be associated with the Strategic Defense Initiative [SDI] of President Reagan. It seems that this is contrary to the views of Jacques Chirac who does not appear to be unfavorable to the American program.

[Answer] I have often expressed myself on this subject. I stated at the time that I approved of the position of the former government and of the president of the republic, who took a reserved attitude toward the SDI. To the extent that, apart from apparently technical concerns, the political and strategic independence of France was placed in question. However, I also said and wrote that, from the moment when this political and strategic independence was affirmed and reaffirmed, there could be great technical and industrial

interest in following the evolution of the SDI project and in not refusing to participate in certain areas of research or in the manufacture of certain kinds of equipment.

I don't think that Jacques Chirac has said anything other than what I have written myself over the past several months. In a general way the Gaullist orientation of the RPR is the basis of our political thought and action. France is a sovereign nation and will not accept any form of integration which would deprive it of its right and capacity to make its own decisions. That is an old question, and I did not wait for the change of government in 1981, no more than the change of government in 1986, to state this position clearly.

[Question] You are particularly sensitive to the problem of the competitiveness of the French economy and French business firms. On the one hand, how do you see the poor performance recorded last month in the foreign trade area? On the other hand, does the policy followed by the government and by Edouard Balladur seem likely to promote the economic recovery of our country?

[Answer] The figures on foreign trade were expected. You cannot increase the burdens on our economy, as has been done over the past 5 years, that is, weaken our industrial capacity, without suffering the consequences later on. The trade statistics, which Michel Noir very properly called "deplorable," are the direct consequence of what we may call the socialist heritage. Since this is so, the restoration of their competitive capacity to our industries involves action in several areas. ~~The first step involves reestablishing~~ order in our public finances. This is a gigantic task, taking into account our debt and also the need to reduce the burdens on our companies. In this connection nothing could have been done better than what has been done by the government since 16 March.

The second requirement is the abolition of a certain number of constraints on the economy. I am no more an economic liberal than a socialist. I try to be realistic. I did not wait for the last elections campaign to state, for example, that the requirement for obtaining administrative authorization prior to eliminating jobs was a constraint which had very bad consequences. In this area the government has also chosen the right path to follow.

There remains a final point, where I recognize that my voice is very much alone. I denounced at the time the absurd idea of reducing unemployment by the reduction of the length of the working day. In view of international competition, working less amounts to condemning ourselves to growing weaker. We are engaged in an economic war, but the attitude adopted over the past few years is like that of a general who, on the eve of a battle, increases the number of soldiers allowed to take leave. Let us add that the idea which amounts to saying "work less and you will create more jobs; work less and you will make more money" is crazy under present conditions. We must have the courage to say so and to take action accordingly. In this area the present government should seek to convince public opinion and thereby facilitate the future decisions of the government.

5170

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POLITICAL

FRANCE

FISZBIN CALLS FOR SOCIALIST, COMMUNIST UNITY

Paris LE MONDE in French 11 Jun 86 p 9

[Article by Henri Fiszbin, deputy from Alpes Maritimes, closely associated with the Socialist Party, organizer of Rencontre communiste (Encounter with Communists), speaking in the name of the MCH collective group]

[Text] Some 2 months since the advent of the Chirac Government, the Right has wound up eating its words. The French people are drawing their conclusions, and already the return of the Left haunts political life. A new opportunity is thereby offered. It is up to everyone to make sure that we don't let this opportunity escape us. We will contribute, on the basis of our revolutionary traditions and from the class point of view which led us into the Communist Party (PCF).

A new political phenomenon has appeared: the communist voters have broken into fragments. However, we cannot lose sight of the fact that communists, with their own culture, remain an essential component of most progress.

The decline of the PCF is now an established fact. Its relegation to the sidelines results from the growing gap between its activities and the motivations of communist voters. The disintegration of the party would only be a matter of concern for the workers movement if it implied the end of the revolutionary movement and led to nothing.

The Socialist Party has become the political center of the entire Left. By also expressing the values which make the communists function, it will open a new arena for the reorganization of the forces of the Left.

Mobilization and Participation

The currents which flow through the depths of French society reflect, beyond the current episode of the return of the Right to power, the vitality and the power of their desire to overcome the forms of exploitation, domination, and alienation which mark social life. The forces working for social change are very great. To get them moving, democratic socialism and the Left in general more than ever need a program that leads to emancipation.

The opposition has entered through both the Right and the Left doors at the behest of society. The actions of the Right, which has returned to

government, should be enough to remind us, if this were necessary, that social classes exist, as well as class conflict, even when it is expressed in new ways.

Since 1981 the Left has known how to renew its thought and action. In the eyes of public opinion, modernity and administrative competence will henceforth be closely associated with socialism.

The modernity of the Left lies in having moved its ideals from the heaven of generous but abstract proclamations to the realities of the management of society. Having done this, the Left did not fail itself. It became involved in practical work. However, it did not abandon its socialist objectives, which give direction to management, modernity, and the republic.

The return of the Left to power must appear as a fundamental alternative, a process of change in the daily life of the people in their workplaces, in their cities, and in society. Structural reforms, which mark the points of difference with capitalism, require the participation of the people's movement. Mobilization and participation are what are needed in good legislation and in the proper management activities of the Left in government.

Until 1936 the Left united around republican, lay, and radical values. With the establishment of the Popular Front, the organized workers' movement advanced to the foreground of the political scene. The organized workers' movement became and remains the central turning point of the Left. Preparing for the return of the workers' movement to power involves turning the workers into actors carrying out this reconquest of power. Hence the importance of the efforts to integrate the patrimony of the trade union and political workers' movement which, in France, bear the deep marks of communist influence.

By acting in this way the Left will make itself the solid ally of the necessary expansion to other social classes and political forces located beyond its traditional frontiers.

Surpassing wornout ideological cleavages and reorganizing the workers' democratic movement are items high on the agenda for France and Europe. All of those who claim that they are part of the workers' movement are now joined together in the rejection of the capitalist system and the desire to prepare the way, through realistic action, for a more just, freer, and happier post capitalist society, which is more aware of its solidarity with other groups. This is what democratic socialism is all about.

We draw from historical experience the conviction that being a revolutionary means moving in this direction by a gradual process of struggle and reform bearing on all aspects of life.

At the same time, we note that the socialist, social democratic, and workers parties are more and more inclined to attack the very structures of capitalism. Now we can overcome the divisions which for so long a time separated the two currents of the workers' movement.

Moving the PCF to the sidelines of political life has created a vacuum which must be filled as quickly as possible. The time has come for the establishment of a great reform party to change society, which will include all of the tenants of socialism. Nothing is so exclusive as revolutionary thought and action. However, it is important that many communists, with their own personality, be included in this party to make it benefit from what is best in their communist culture.

Because we want the process already under way to strengthen and to accelerate, it seems to us that the principal problem today is not that of personally directing people toward joining the Socialist Party but rather the realization of the political conditions necessary for communists and socialists to find themselves in the same party.

The Socialist Party will have a decisive influence on all of the points I have mentioned. The Left is beginning to move. We are all responsible for its future.

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POLITICAL

SWEDEN

PAPER VIEWS CARLSSON PERFORMANCE AFTER FIRST 100 DAYS

Stockholm DAGENS NYHETER in Swedish 9 Jun 86 p 2

[Editorial: "Our Swedish Carlsson"]

[Text] Despite his 100 days in office as prime minister, Ingvar Carlsson has remained fairly anonymous politically. This is partly a question of style—it is inconceivable that Olof Palme would have had so little to say after an international catastrophe of the magnitude of the Chernobyl nuclear disaster. But more important than that or Carlsson's more reserved personality is the fact that during the spring the Social Democrats have acted with great political caution. The government has not provided much opportunity for attacks against it.

The praise Carlsson has won from nonsocialists, especially in last week's party leader debate, has given him a lot of room in which to act. This may not mean so much politically in view of the fact that the Social Democrats' ~~minority position in Riksdag and the government's dependence on nonsocialist support on economic policy impose definite limitations.~~ But when it is a question of dividing and conquering it appears that Carlsson could be considerably more successful than his predecessor, whose "outstretched hand" was regularly rejected by the nonsocialist parties.

Ingvar Carlsson has successfully pursued the tactic of adapting the government's policy to the Center Party's proposals on matters where the nonsocialists disagree. The agreement this spring on the planning and building law, PBL, showed that the two parties have common interests in this kind of result-oriented policy. That Karin Soder continued to attack Social Democrats "from the left" on the distribution question in the party leader debate appears to indicate that more adjustment maneuvers will probably be performed by the government; the Social Democrats would like at almost any cost to avoid a debate with nonsocialist parties who present a generous measure of their own policy in the process.

There is also a tactical advantage for the Social Democrats: the wedge between the Center Party and the other nonsocialist parties is being driven even deeper. But Carlsson can divide the nonsocialists even more; in the party leader debate he succeed, by playing on the Conservative bitterness

against the Liberal Party, in setting off an exchange of words between Ulf Adelsohn and Bengt Westerberg.

At the moment Carlsson is aiming at Westerberg in the full knowledge that he has not yet really adapted himself to the difficult role of major spokesman for the opposition. At the same time in his characterization of the "right-wing forces" that were defeated in last year's election, Carlsson provided a glimpse of the ruthless slugger he can also be. That is a side of the new prime minister that has often been underestimated so far, but the other party leaders will probably become aware of it soon enough.

There is a time for everything: at the onset of summer Carlsson spoke with all the feeling and warmth of which he is capable about the values that unite us in Sweden. At the conclusion of Riksdag and in a speech on our national holiday he struck a national note in which Sweden's democracy, nature, culture and Social Democracy were presented as part of the "Swedish model" we have heard so much about.

Ingvar Carlsson quoting Ulf Lundell is a hard combination to beat. Perhaps one of the hardest tasks for the opposition party leaders will be to show that their ideas are just as Swedish as Carlsson's.

6578

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POLITICAL

SWEDEN

POLL OF CONSERVATIVES FINDS BILDT FAVORED AS NEW CHAIRMAN

Adelsohn's Resignation Seen as Mistake

Stockholm DAGENS NYHETER in Swedish 7 Jun 86 p 10

[Article by Dick Ljungberg: "Conservatives Want Bildt as Chairman"]

[Text] More than half of the Conservative Party sympathizers polled said spontaneously that Carl Bildt was the person best-suited to succeed Ulf Adelsohn as chairman of the Conservative Party this fall. This was shown by a special analysis the Institute for Market Research [IMU] conducted for DAGENS NYHETER.

Over half the Conservatives also felt that Ulf Adelsohn made a mistake when he resigned.

At lunchtime on Wednesday Ulf Adelsohn announced that he would resign at an extra party meeting to be held at the Riksdag Building on 23 August. By Wednesday evening IMU had started conducting telephone interviews with Conservative sympathizers, ~~interviews that included the question of a successor.~~ The interviews were concluded Thursday evening, by which time 356 people had responded.

The fact that Conservatives are disappointed by Ulf Adelsohn's decision to throw in the towel after only 5 years was clearly apparent from answers to the question of whether the departure is an advantage or a disadvantage for the party.

A disadvantage, answered 54 percent of those asked, an advantage said 20 percent, while 6 percent said it made no difference either way and 20 percent had no opinion.

Four Candidates

One of the reasons why a majority felt it was a disadvantage may be that there is no obvious successor to Ulf Adelsohn. There are four candidates who are mentioned most often: Riksdag's first deputy speaker Ingegerd Troedsson, the party's first vice chairman Lars Tobisson, member of Riksdag Carl Bildt,

primarily the party's expert on defense and security policy, and Red Cross chief Anders Wijkman, who was a member of Riksdag from 1970 to 1979. None of them has flatly rejected the idea, at least not officially. There is a risk that electing a chairman will stir up differences between neoliberals and social conservatives in the party.

Bildt Best Known

IMU asked who would be the most appropriate successor to Ulf Adelsohn as party leader.

Some 53 percent spontaneously answered Carl Bildt, 23 percent said Ingegerd Troedsson, 12 percent Lars Tobisson and another 12 percent named Anders Wijkman.

In other words there was an overwhelming majority for Carl Bildt, which might be partly due to the fact that he is the most well-known of the four. His clashes with Olof Palme on security policy issues in particular gave him a lot of publicity in Conservative circles. Everyone would probably agree that he is a very capable politician. His young age, 37, could be one of the main arguments against him. On the other hand both Adelsohn and Liberal Party leader Bengt Westerberg were only a few years older than that when they were elected. Bildt has a strong position in Stockholm, while rural Conservatives are less enthusiastic.

IMU helped out the interviewed subjects who did not spontaneously name any of the four relevant candidates by mentioning their names and asking the same question as to which one was most suitable.

When these answers are combined with the spontaneous responses the result is somewhat different, but Bildt still has a clear lead. Some 37 percent considered him to be the most suitable choice, 18 percent named Troedsson, 15 percent Wijkman and 12 percent Tobisson, while 18 percent did not favor any of them.

Delegates Vote

Now it is not ordinary Conservative voters who elect a new chairman, it is delegates to meetings who are active in the party. Conservative members of Riksdag naturally have a strong position on their home turf and if the matter was decided by the Riksdag group, Ingegerd Troedsson would be the obvious winner. Issues dear to the hearts of Conservatives, tax and family policy, are her specialties and choosing her would be regarded as moderating the most neoliberal elements in the party.

Lars Tobisson is said to have declined internally to run for the post. He is more of an administrator than an agitator. One of the main points against Anders Wijkman is that he has been away from Riksdag and politics for such a long time.

At the 1984 meeting, Adelsohn stated that nonsocialist voters would rather have a government change, not quarreling among the nonsocialist parties. After the ignominious election setback in 1985 he changed his tune. The Conservatives had to beat back the attack.

Profile or Cooperation

This is the background for IMU's fourth question about whether the Conservatives should stress their own profile or three-party nonsocialist cooperation.

Some 44 percent of Conservative sympathizers said the party should stress its own profile, 50 percent wanted more emphasis on three-party nonsocialist cooperation and 6 percent had no opinion.

It is interesting to note that in the first round of interviews on Wednesday evening a majority favored stressing the party's own profile, while on Thursday evening the majority switched to cooperation.

One reason may be that in Thursday's party leader debate in Riksdag, Ulf Adelsohn urged the nonsocialist to look a little beyond their own noses and stick together. Otherwise Ingvar Carlsson will calmly remain in office as prime minister.

Conservatives Set Special Meeting

Stockholm DAGENS NYHETER in Swedish 7 Jun 86 p 10

[Text] The advisory committee of the Conservative Party decided on Friday that the party's extra meeting will be held on Saturday, 23 August, in the lower chamber hall of Riksdag. The formal decision will be made by the party's executive committee on 16 June. After that the election committee will start work on nominating a new party chairman. The first meeting of the election committee will be held before midsummer, but a proposal concerning a candidate for the party leadership cannot be presented before the beginning of August at the earliest.

The major candidates are first deputy speaker Ingegerd Troedsson, 57, former assistant social affairs minister and member of Riksdag since 1974, a resident of Grillby, and member of Riksdag Carl Bildt, 37, Conservatives spokesman on security, defense and foreign policy issues. He has been a member of Riksdag since 1979 and resides in Stockholm.

Liberal Newspaper on Poll

Stockholm DAGENS NYHETER in Swedish 7 Jun 86 p 2

[Editorial: "Among Conservatives"]

[Text] It seems to be a widely-held view among most Conservatives that Ulf Adelsohn should have remained in office as leader of the party. In IMU's

instant survey, conducted by means of telephone interviews on Wednesday and Thursday, most of the respondents viewed his departure as a disadvantage for the party.

A majority named Carl Bildt as the most suitable successor to Adelsohn, but in a situation where they were asked to choose among several candidates listed by name, his lead over Ingegerd Troedsson, Anders Wijkman and Lars Tobisson declined. The fact that Bildt has been the most visible in the mass media and that Olof Palme chose him as his personal opponent undoubtedly played a part here. But it is not certain that this kind of thing will determine the final decision. From what we already know about opinions in the party's Riksdag group and among district chairmen, Bildt and Troedsson seem to have a fairly equal chance.

It would be desirable to have a chance to examine all the candidates on equal terms before the extra meeting is held on 23 August. A precedent is the Liberal Party's procedure before electing Bengt Westerberg, when four candidates were discussed openly. This approach benefits a party in the long run.

6578

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POLITICAL

SWEDEN

PALME MURDER, CHERNOBYL, PARTY CHANGES TO AFFECT FALL POLITICS

Stockholm DAGENS NYHETER in Swedish 8 Jun 86 p 12

[Article by Sven Svensson: "Disturbing Events--New Faces"]

[Text] The last half year has set a record for disturbances. A party leader and prime minister was slain by an assassin's bullet, two party leaders resigned in the aftermath of heavy election defeats. And the impossible happened in Chernobyl, a reactor broke down and spread devastating radioactivity over large areas far from the scene of the accident.

The murder of Olof Palme and the reactor accident far off in the Soviet Union united the Swedish people in a common feeling of dread.

When in addition Thorbjorn Falldin and Ulf Adelsohn abdicated, Swedish voters lost their traditional reference points. Old habits have been broken, many wonder what is happening to the old Sweden and whether there is any connection between these disturbing events.

It will take a while before the shockwaves left by the murder of Olof Palme and the consequences of the Chernobyl reactor accident die down in the minds of the people.

Period of Searching

While waiting for this to happen, the course of political events in Sweden is in a period of searching. The government has been forced to display forcefulness and decisiveness while the main thing for the opposition has been to avoid making mistakes. For all three nonsocialist parties, outlining the party profile is something that will have to come later.

In the shadow of the political drama, voter surveys indicate violent eruptions in the depths of the population. The Social Democrats are doing well in the polls. Voters support the new prime minister, Ingvar Carlsson, because he represents order, stability and moderation.

But confrontation is the breath of life for Social Democrats and this is probably still the case after the murder of Olof Palme and the Chernobyl accident.

The old familiar differences concerning a planned economy or a market economy remain along with the differences of opinion between the Social Democrats and the nonsocialist opposition on taxes. Sooner or later Ingvar Carlsson will be forced to sharpen his attitude toward one or more of the nonsocialist opposition parties.

When fall comes politicians will have to return to an everyday existence that will be new in part. How this looks will depend on the personnel changes that are being made in the Center Party and the Conservative Party and the change in the national climate that has occurred after the murder of Olof Palme and the Chernobyl accident.

In the middle of June Karin Soder will be named new leader of the Center Party after Thorbjorn Falldin lost his job after four election losses in a row under difficult circumstances.

Karin Soder will essentially pursue Falldin's policies. There will be no question of single-handed cooperation with the Social Democrats. Karin Soder knows that any nonsocialist party that reaches agreement with the Social Democrats will risk losing the support of ordinary nonsocialist voters.

The main risk Karin Soder runs is that due to its size the Social Democratic Party will adjust its policy to Center proposals. That would raise doubts about the Center Party in the minds of the public and make it hard to present an independent profile. In some cases, however, reaching agreements with the Social Democrats in Riksdag can be valuable in profiling the Center Party in relation to the Conservatives. This could be especially true in the case of energy issues and matters that affect primary industries. Chernobyl has given the Center Party's opposition to nuclear power increased political credibility.

Extra Conservative Meeting

The Conservatives will hold an extra party meeting on 23 August in order to name a new party leader to succeed Ulf Adelsohn, who has had enough after 5 years and an election defeat.

Before the 1985 election the Conservatives tried to become an all-embracing nonsocialist party with neoliberalism, extravagant election promises and American-inspired mass meetings on the program.

The election defeat, the murder of Olof Palme and Chernobyl were too much for Ulf Adelsohn, who took his leave and pedaled home to Strandvagen.

The major candidates for the party leadership post are Ingegerd Troedsson, 57 on Friday, and Carl Bildt, 37.

Whoever is elected it will be difficult to maintain a balance between stressing the party's own profile and supporting three-party nonsocialist cooperation.

Choosing Ingegerd Troedsson would mean a shift toward a more classic conservative party; choosing Bildt would mean increased conflict between city and country, between social conservatives and social liberals and perhaps between old people and young people as well.

Liberal Party leader Bengt Westerberg, suddenly the oldest nonsocialist party leader in service, will have more responsibility for the credibility of a nonsocialist government alternative as a result of the personnel changes. He will also have a loftier and more unifying role in the opposition. This is both good and bad.

Even if the anxiety Chernobyl has aroused in the Swedish people dies down, energy will live on for a long time as a political issue. A political examination of the nuclear power program will have to be made earlier than originally scheduled. As night follows day we will then have problems involving substitute power sources.

Barseback to Close?

The Energy Council will point the way this summer.

The question is whether the nuclear power program should be curtailed ahead of time and whether Barseback should be shut down ahead of schedule?

The voter uneasiness has created problems for Ingvar Carlsson. The Social Democrats are split over their position on nuclear power and the government may be forced to accept solutions it does not believe in to keep the party together. The philosophy of growth is colliding with concern for the environment.

This is a problem Ingvar Carlsson shares with Liberal leader Bengt Westerberg. Both are under attack by critics in the Center Party and the Left-Communist Party who want them to change their position on nuclear power.

The Conservative Party may have the biggest problem. The Conservatives feel there is no reason to phase out nuclear power or question its safety.

Electing Ingegerd Troedsson might bring matters to a head. She is not as enthusiastic about nuclear power as Adelsohn and Bohman.

Economic policy has developed in a favorable direction for the Social Democratic government with lower interest rates, lower budget deficits and a lower inflation rate.

The remaining problem concerns wage negotiations where the government ended up dangerously close to a state income policy. The Metalworkers and Machinists Union avoided a risk of conflict in the industry at the 11th hour, but with wage drift there is a great risk that the stipulated goal of a 5 percent wage increase will be exceeded.

And on top of that it looks as if wages in the public sector will not be clarified before fall now that the Employers' Agency has ended the unfortunate teacher lockout.

It has now been proved that a Social Democratic government runs as much risk of having to deal with a strike as a nonsocialist regime.

Personal taxes have been set for 1987 and 1988 as a result of a Riksdag decision last week. All that remains is taxes for retirees which could easily turn out to be the straw that breaks the back of the Social Democratic government.

Political Dilemma

The graduated scale for the special tax deduction for retirees and the planned real interest tax on pension insurance could be a big political dilemma for the government. In the 1985 election the Social Democrats kept their hold on older voters as a result of opposition to a waiting period for health insurance benefits and the pledge of guaranteed pensions. Many pension recipients regard this underhanded attempt to take a bite out of pensions through higher taxes as a betrayal.

A major task for Ingvar Carlsson this fall will be to unite the Social Democrats who favor arms reduction with those who advocate an arms buildup and to reach an agreement with at least one nonsocialist party on new defense spending limits for the 5-year period 1987-1992.

More for Defense

This will require a great talent for compromise but there are not many alternatives. To rely on the Left-Socialists on defense issues in the wake of the submarine violations would jeopardize the Social Democrats' general political credibility.

Therefore it will be necessary for Ingvar Carlsson, especially after his plucky behavior in Moscow, to raise defense funding and pay the political price that is required to make Sweden's neutrality policy credible. The Chernobyl reactor accident has once again confirmed the belief of many Swedes that the threat lies to the East.

6578

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POLITICAL

TURKEY

EVREN ASKS FOR REPEAL OF CLAUSES IN PARTIES, ELECTIONS LAW

Istanbul HURRIYET in Turkish 29 Apr 86 pp 1,19

[Text] Ankara—The Constitutional Court has decided "to examine from fundamentals" President Kenan Evren's request to have [certain clauses of] the Political Parties and Elections Law "repealed."

In a statement to HURRIYET, Constitutional Court Secretary General Ziyaettin Ozkanli disclosed that during a 15-minute meeting yesterday the court completed its initial investigation of Evren's bid to have [certain clauses of] the Political Parties and Elections Law "repealed" and to introduce changes and additional clauses in the said law. The court committee did not find anything missing in the case file.

The clauses President Evren has asked to be repealed and the reasons for his plea are as follows:

1) Clause on citizens' rights to vote at customs stations.

—Reason: The stipulation that citizens voting at customs stations cannot vote for independent candidates and can only vote for parties without having the benefit of examining the candidates of those parties—thus rendering them unable to exercise their full options while registered voters elsewhere can in principle examine the candidates in their districts; the fact that votes cast in customs stations are counted together with votes from all other electoral districts; and the fact that citizens abroad are barred from voting in by-elections and local elections violate articles 10 and 67 of the Constitution.

2) Clause allowing political parties to buy political advertising time on television during election time.

—Reason: In paid campaign speeches on television, the use of any video images other than those of the Turkish flag, the party emblem and the speaker violates articles 10 and 133 of the Constitution. This clause permits the use of video images other than those of the Turkish flag, the party emblem and the speaker in paid advertisements only.

3) Clause on the status of party administrators or members who commit acts violating the prohibitions on political parties.

—Reason: The phrase "those convicted" cited in this clause violates articles 10, 24 and 69 of the Constitution. In its present form the law discriminates between an assembly deputy who is a member of the party and a private citizen who is a member of the party.

Evren's plea for the repeal of the said clauses charges that these clauses violate the Constitution's Article 10 which stipulates "equality before the law," Article 24 which guarantees "freedom of religion and conscience," Article 67 which guarantees "the rights of electing, being elected and pursuing political activities," Article 69 which sets the "principles to be complied by political parties" and Article 133 which covers "regulations with regard to the Turkish Radio and TV Administration."

9588

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POLITICAL

TURKEY

OZAL'S POLICY TOWARD GREECE JUDGED AS 'CORRECT'

Istanbul TERCUMAN in Turkish 5 May 86 pp 11,12

["While We Live" column by Kamil Turan: "Ozal's Policy Toward Greece"]

[Text] When the Ozal government took office, Turkish-Greek relations were moving in a direction disadvantageous to Turkey on all fronts. Turkey, whose political prestige as well as economic and social structure were shaken in the last 10 years, was also forced to face an antagonistic reaction in response to the 12 September intervention whose necessity has never been realized by the outside world. It has taken a long time for this government, which was virtually put in a defendant's position in all international forums, to make the world believe that these upheavals were temporary and that the real objective was to rebuild the liberal democratic system on stronger foundations with its full complements.

Greece, which wanted to make all of Cyprus part of the Hellenic homeland, to expand its territorial waters to 12 miles, to change the flight information region [FIR] to Turkey's disadvantage and to isolate Turkey by shutting it off from the Aegean and Mediterranean seas, has tried to exploit our domestic and foreign political weaknesses to the maximum extent. Abusing the advantages of Greece's membership in the EEC, Greek Prime Minister Andreas Papandreou has rudely rejected all Turkish gestures for reconciliation with his undiplomatic attitude and weak knowledge of history. Papandreou proclaimed to the world on several occasions that he will not enter into a dialog with Turkey unless it surrenders to Greece on the issues of Cyprus, territorial waters and FIR.

While Turkey tried to heal its wounds at home and abroad, it became the target of reckless attacks by the Greek demagogue; the Greek government provided sanctuary to Armenian, separatist and communist organizations working against our country; and Greek diplomacy even tried to undermine the political, economic, commercial and cultural ties we were trying to build with other countries. The Ozal government's initial policy toward these acts could not go beyond passive resistance, and this grieved many of our citizens.

In particular, the Ozal government's unilateral decision to eliminate the requirement for entry visas for Greek citizens; Ozal's remarks, "I am offering an olive branch to Papandreou" before the world press; and his posing with the Greek Prime Minister in Davos this year to the journalists and cameramen not only surprised the Turkish public, which is tired of the aggressiveness and

rudeness of our arrogant neighbor, but also raised some doubts about the true motives of Ozal's diplomacy. While this reaction to this soft stance pursued patiently by the Turkish prime minister stemmed from the concern of the masses to preserve our national honor, some street-peddler politicians and less-intelligent writers ruthlessly criticized Ozal's well-calculated posture without thinking more deeply.

In his recent speech in Isparta, the Prime Minister focused broadly on foreign policy issues and evaluated Turkish-Greek relations with a style which he has rarely used. This new style has comforted the Turkish public both because it suits Papandreou's disposition and because that is what the unbalanced and insatiable Greek policy deserves. But most importantly, this new style has proven that the diplomacy pursued so far by Ozal toward Greece rests on certain fine calculations and has made the public understand that Turkish-Greek relations are considered within the general framework of our foreign policy.

The most important reason for Ozal's change of style and attitude is the favorable developments in April in Turkey's domestic and foreign policy picture. In domestic politics, everyone except certain intractable brokers of malice accepts now that a fully liberal and democratic system is being rapidly restored in the country within the framework of a modern struggle. This fact is recognized all over the world and primarily in Europe. Meanwhile, in foreign affairs, Greece has been hit by three consecutive major blows within a single month. First, Turkey was elected to the session chairmanship of OECD; second, Turkey was elected to the deputy session chairmanship of the Council of Europe; and third, Turkey's objections to Greek Cypriot credentials at the Council of Europe were sustained by the Council.

These events in domestic and international politics show that Turkey's image as a country with a hopeful future is gaining broad recognition both at home and abroad. Greek lies have been exposed, and the diplomatic balance has shifted. As Greek opposition leader Mitsotakis stated in the Greek parliament, Papandreou "who relied on the EEC" in his policy toward Turkey has lost this major trump card.

With his new style Ozal has correctly evaluated the changing diplomatic balance and has used one of the oldest rules of strategy. Using the maxim, "if your opponent is strong lie down, if you are stronger pursue him," Ozal's policy toward Greece will certainly force Papandreou to sit at the negotiating table.

9588
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MILITARY

FINLAND

NORWEGIAN FORCES COMMANDER VISITS LAPLAND MILITARY OFFICIALS

Helsinki UUSI SUOMI in Finnish 14 May 86 p 7

[Article: "Bull-Hansen Became Familiar With Lapland Defense"]

[Text] General Fredrik Bull-Hansen, commander of Norway's Defense Forces, familiarized himself with Finland's Lapland defense on Tuesday and observed a combat exercise conducted by the light infantry brigade in Sodankyla. In the evening he visited the General Staff of the Lapland Border Guard in Rovaniemi.

General Bull-Hansen, who is on an official visit to Finland, will be shown the operations of the Air Force on Wednesday, and he will observe an exercise of the Lapland Flight Detachment in Rovaniemi.

On the last day of his visit or on Thursday the Norwegian general will observe naval operations at the Helsinki Naval Station in Upinniemi. President Mauno Koivisto will receive the commander of Norway's Defense Forces before the conclusion of his visit.

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MILITARY

SWEDEN

MILITARY'S TOO RELIANCE ON U.S. FOR TECHNOLOGY DEcriED

Stockholm SVENSKA DAGBLADET in Swedish 13 May 86 Sect III p 2

[Article by Sune Olofson]

[Text] Sweden has no national strategy for electronics and information technology. Now the country's technology experts are sounding the alarm. Sweden is falling behind. The military's technological preparedness is weak. The future security of Sweden may be in danger if nothing concrete is done now.

Sweden is far too dependent on foreign countries. The military trains officers in technology, then they take jobs in industry. Other countries have major research projects in information technology. Sweden has hardly any.

"Our future military strength and the survival of the civilian electronics industry will be threatened unless strong measures are taken now," said Ingemar Carlsson, technical director at the National Defense Manufacturer (FMV).

Director general Lars Bertil Persson of the National Aeronautical Research Institute (FVA) said:

"Our military has no technological preparedness and there is no defense industry policy in this country. The politicians seem to be talking about sheltered workshops and artificial respiration for the industry."

What, then, is information technology? In brief, it includes methods and means for the measurement, collection, transfer, processing, storage, and presentation of information, such as values, signals, figures, text, speech, pictures, and symbols.

Growing Importance

Information technology is growing in importance for the military, industry, and administration. Today information can be collected and transported across continents and oceans. Technology is important for banks, offices, and hospitals. It can make the construction of machines and buildings more efficient. Sophisticated systems are used to control vehicles, robots, machines, and production processes.

The military speaks of the "extended strategy," which is the ability to strike deep in enemy units, behind the front, in order to delay and reduce the increase in his strength. This requires leadership, signals, and weapons systems that are dependent on values and information. It also requires knowledge of the signals produced by enemy military units and their activities.

On commission by the government, the Royal Academy of Engineering Sciences (IVA) and the Royal Academy of Military Sciences has held four symposia over the past 2 years on the topic "Research, Industry, and Security." Some of the participants were the following:

Director general Carl-Olof Ternryd of FMV, technical director Gunnar Engstrom of Asea, Professor Hans G. Forsberg of IVA, Major General Lars Bertil Persson of the Defense Staff, director general Lars-Erik Tammelin of FOA (Defense Research Institute), director Sten Gustafsson of Saab-Scania, undersecretary Per Borg, Professor Hermann Grimeiss of Lund, technical director Arne Wittlov of Volvo Flygmotor, and Bjorn Boldt-Christmas of Ericsson.

Frightening Reading

No fewer than 180 technical experts from business, universities, and research institutes were present.

The summary report from the academies is now available. In part, it presents some frightening reading.

Sweden is almost 100 percent dependent on the United States in the area of technology;

The exchange of expertise is being limited more and more;

The technological race is becoming more and more competitive;

Sweden's efforts in electronics and information technology, as approved by parliament, are extremely modest;

Sweden has not developed a national strategy for information technology.

The Defense Department of the United States and the electronics industry are investing \$1.5 billion over 10 years for the VHSIC Project, which will develop and produce superfast integrated circuits for military purposes.

The goal of Darpa Strategic Computing of the United States is, by 1993, to produce computers capable of understanding ordinary speech, seeing the military environment, and developing computer-controlled defense and combat systems. The cost for the first 5 years of this program will be \$600 million.

Fifth Generation

Japan is developing the fifth generation of computers--a knowledge-based and problem-solving computer that can understand ordinary speech and carry out tasks that the speaker presents to it. That project is costing Japan 7 billion kronor.

England has the so-called Alvey Program, which is budgeted at 350 million pounds. The EC has its Esprit Program, which will cost 3.5 billion kronor over 5 years.

"The fact that Sweden is not participating in these efforts, apart from a modest Nordic project, should make the politicians stop and think," said Ingemar Carlsson of FMV.

The academies also determined the following:

The military is suffering from a severe shortage of technical experts;

The Swedish doctrine of nonalignment in peacer and neutrality in war must also be followed in technology;

Sweden's ability to act independently is being reduced constantly;

The Swedish Defense Materiel industry must be maintained. The amount of materiel we develop and manufacture ourselves has dropped from 90 percent to 70 percent over a 10-year period.

National Strategy

The academies propose that the government formulate a national strategy for research, technology, industry, and security policy for the 1990's and the 2000's as soon as possible. This should then be formulated in plans and programs as soon as possible, they said.

The academies maintain that if Sweden wants to catch up with comparable countries, the government must be willing to invest 500 million each year until a reasonable level is reached.

So far, the government has said that new investments must be made within the existing budgetary framework.

"That is a goal that is totally insufficient. Sweden must make a much stronger effort in the area of electronics. The politicians do not seem to understand the seriousness of this situation," Ingemar Carlsson said.

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MILITARY

SWEDEN

USSR GENERAL STAFF OFFICER DEFECTOR ON SOVIET ATTACK PLANS

Stockholm SVENSKA DAGBLADET in Swedish 22 May 86 p 10

[Article by Lars Christiansson]

[Text] London--It is impossible to win a European war without controlling or at least having major successes on the northern flank. Control over the North Atlantic is dependent on control of large portions of Norway. To achieve this, large sections of Sweden must also be controlled.

This is how former Soviet general staff officer Viktor Suvorov summarized the reasons why the Soviet Union represents a military threat to Sweden and why the Soviets operate systematically against Sweden with submarines. Suvorov defected to England during the late 1970's.

At that time he was an intelligence officer for the military intelligence service GRU and was serving at a large Soviet embassy in Western Europe. Today he is barely 40 years old and lives at a secret location in England.

Spetsnaz Soldiers

SVENSKA DAGBLADET met with him in London and discussed the Soviet threat to Sweden. Suvorov has written several remarkable books and articles on the role the so-called Spetsnaz soldiers play in Soviet war tactics, which are based on winning a quick victory in a possible future war.

The element of surprise plays a decisive role in winning a war before the opponent is able to use nuclear weapons.

Suvorov's knowledge of the Spetsnaz organization, in particular, has been of great importance to the various intelligence services in the West. He has been interviewed by representatives of the Swedish security service, among others.

Soviet Strategy

It was Suvorov's book "Inside the Soviet Army" that first published, in unclassified form, the fact that the Soviet Baltic Sea Fleet has a diversionary brigade of Spetsnaz soldiers. The brigade is equipped with minisubmarines and frogmen. This hardly comes as a surprise to Swedes today, considering our experience with "foreign underwater activities."

"I have been an officer on the general staff of the Soviet Union and, consequently, I understand the overall Soviet strategy. The explanation to the submarine operations against Sweden is to be found in the general staff's analyses of the world situation."

"It is the assumption of the general staff that we (Suvorov identifies himself with the Soviet Union when he becomes absorbed in telling what he knows) must fight against the West sooner or later. It is the task of the general staff to prepare for war, whether it breaks out or not."

United States And Europe

Suvorov explained that the basic Soviet concept was to drive a wedge between the United States and Europe. In the event of war, the United States must be prevented from reinforcing its allies in Europe, across the Atlantic. As a result, Norway is of immense strategic importance.

"Sweden is in the way. Consequently, you must be neutralized. This is extremely important not only because of the need to control the Atlantic, but also if we are to take West Germany. Control of southern Norway would be needed for such an operation. The road to southern Norway also leads through Sweden."

Viktor Suvorov points to the submarine intrusions as evidence that the Soviet union is conducting military operations against Sweden. What is more, they show that the general staff believes that operations with Spetsnaz units are extremely important for successfully paralyzing and capturing our country quickly.

Swedish Geography

He explained that the Swedish geography was extremely suitable for operations with diversionary units. He let it slip out that he had been in Sweden and seen the expansive forests and wilderness.

He evaded the question of when and in what capacity he had visited Sweden. He said with a loud laugh that he absolutely refused to reveal this information.

He then pointed to Soviet experience from the war with Finland in 1939 and 1940 which went poorly, but went better in 1941 to 1944 after the Soviets learned how to operate in the Nordic terrain. According to Suvorov, today's Spetsnaz tactics are based to a high degree on experience gained in the so-called continuation war.

Special Units

"You cannot operate in a traditional manner against Sweden, either. A large number of special units must be used against Sweden. It is impossible to break the resistance in such an expansive land by using traditional means."

"A major effort is required with paratroopers, marines, perhaps a major invasion across the sea, but the entire action must be supported by special

troops from the Spetsnaz units," said Suvorov, who also claimed that the Soviet Union was now working to break Sweden's will to defend itself.

'Using Strength'

But the submarine intrusions have had the opposite effect, SVENSKA DAGBLADET objected.

"The Soviet Union always uses strength. It is strength and nothing else that counts and this is all Moscow understands. We are trying to find out if you will stand up to it or not. The pressure is always applied where the opponent is weakest. The Spetsnaz brigade of the Baltic Sea Fleet is now being used to see how much resistance you can offer."

"The Soviet Union is trying to increase its power. Every action is aimed in the same direction. While we are talking about peace, we utilize submarine operations and other activities against Sweden. We try to give you the impression that if you simply act right, then everything will be all right. After we give in a little, we increase our demands. That is just the way it is," said Suvorov, who illustrated his point by mentioning the classical "carrot-and-stick principle."

Carrying Out Sabotage

The activities of the Spetsnaz units must be seen in a broader perspective, according to Suvorov. They are to be used primarily just before a war breaks out. Their job is to liquidate important decision-makers, carry out acts of sabotage, prevent mobilization, and do whatever they can to paralyze the country and create panic. In this way, they would make it possible for the more regular units to succeed during the early stages of a war.

Suvorov described the Spetsnaz threat to Sweden, but before presenting any figures, he wanted to point out that the Spetsnaz organization did not consist only of elite combat soldiers.

"There are three types of Spetsnaz soldiers. The majority are draftees who, because of their good physical condition, are selected for Spetsnaz units and trained harder than the other soldiers."

"Then there are the professional Spetsnaz officers and soldiers who are the elite of the elite. Among these soldiers are specialists in killing key people. They do not allow themselves to be taken alive. They can survive under the most extreme conditions and carry out their assignments without blinking. There is a special company of this type at every Spetsnaz brigade."

"They are dependent on the third category, the so-called Spetsnaz agents. These agents are recruited in peacetime, but remain 'sleeping' until hostilities break out and the elite soldiers from Spetsnaz land by helicopter or submarine, are dropped by parachute at a low altitude, or enter the country as civilians via ordinary travel routes."

"Then the Spetsnaz agents are prepared to offer protection, assist with transportation, point out important objectives that they have been assigned to keep under observation, and perform other such tasks."

Agents In Sweden

"Such agents are recruited in various ways. This is one of the tasks of GRU officers at the embassy. There is a large number of such agents in every country." He has no idea how many there are in Sweden. They are never uncovered, since they are inactive in times of peace. They also have no contact with Moscow. They received their instructions on a single occasion and will follow these instructions when the signal is given.

"We try to recruit men between 55 and 65 years of age for this task, since they would not be included in a mobilization. They would be left to receive the Spetsnaz groups."

What is the Spetsnaz threat to Sweden?

Two Military Regions

He explained that there were two Soviet military regions in control of Spetsnaz operations against Sweden.

There is the Leningrad Military Region and the Baltic Military Region. In addition, there is the Soviet Baltic Fleet.

The Leningrad Military Region has a diversionary brigade consisting of 1,250 to 1,300 men. It can be divided into 135 smaller groups that can operate independently or with several of the groups working together. This brigade is intended to be used against Sweden in certain situations. The naval diversionary brigade of the Northern Fleet, with about 800 men, would be used against North Norway and need not be considered in this context, according to Suvorov.

The Baltic Military Region has about as many diversionary soldiers to be used against Sweden as the Leningrad Military Region. In addition, the naval brigade of the Baltic Sea Fleet consists of 700 to 800 men.

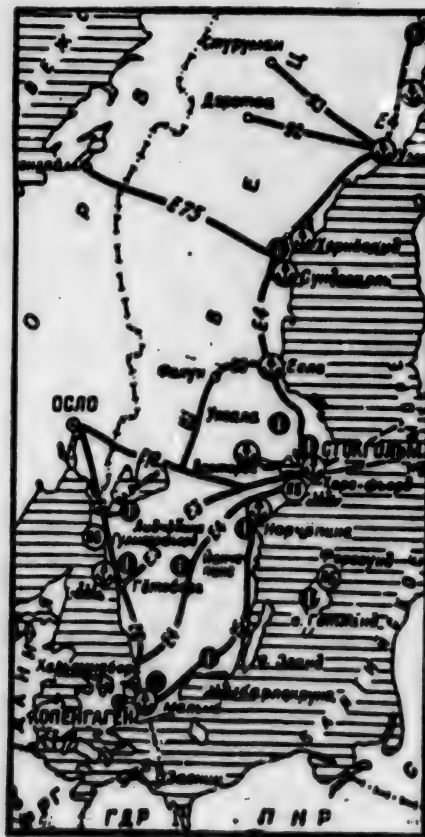
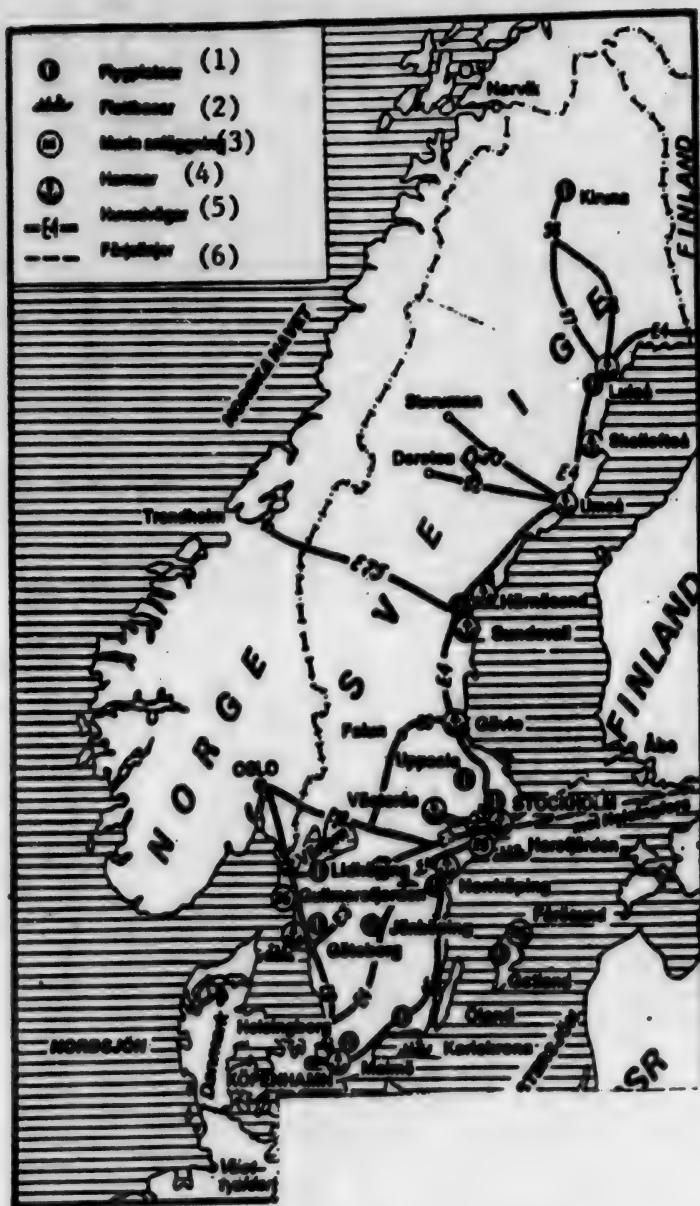
Suvorov said that, in addition, there was a special Spetsnaz regiment under the direct command of the military commander of the Baltic Military Region. About 700 men from this regiment can probably be used against Sweden.

He also pointed out that these were peacetime figures that could be rapidly doubled during a mobilization.

Elite Sportsmen

Suvorov said that many of the elite soldiers had visited Sweden. They are members of many elite Soviet sports teams. During these trips they are able to become acquainted with the country in which they could possibly operate during a future war.

"The professional Spetsnaz soldiers often speak several languages. The officers of these units speak the language of the target countries almost perfectly."



The success of a surprise attack against Sweden is contingent on the ability of diversionary units, paratroopers, and other elite troops to take over the civilian and military infrastructure as quickly as possible. The map on the right is taken from the Soviet military journal ZARUBEZHNYAYA VOENNOYE OBOZRENIYE. It shows some of the objectives that elite Soviet units would attempt to control during a surprise attack against Sweden.

Key to map:

- 1. Airports**
- 2. Naval bases**
- 3. Naval facilities**
- 4. Harbors**
- 5. Main highways**
- 6. Ferry lines**

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17 July 1986

MILITARY

SWEDEN

DEFENSE MINISTRY SECRETARY DEFENDS ARMS EXPORTS

Stockholm DAGENS NYHETER in Swedish 31 May 86 p 5

[Op Ed Article by Carl Johan Aberg]

[Text] The Swedish Peace and Arbitration Association believes it is morally reprehensible for Sweden to export weapons to developing countries, even if they meet the strict Swedish requirements that are placed on the recipient country. This indicates a condescending attitude toward these countries. The world will not become more peaceful if the developing countries become depending on one of the superpowers, according to undersecretary Carl Johan Aberg of the Foreign Ministry.

It would cost 300 million kronor per year to maintain the domestic weapons industry without exports. This is the somewhat sensational conclusion presented in a report produced by the Swedish Peace and Arbitration Association. According to the association, we should accept this price in order to avoid the morally and politically complicated question of weapons exports.

In my opinion, these calculations are misleading. Even simple economic common sense should tell us that a total cost of 300 million kronor could hardly provide total exports of over 2 billion kronor. If this were true, then why is it that the Swedish military industry is not more profitable than it is today?

A closer examination of the methods used in the study reveals, however, that it was not overly burdened by objective requirements with regard to either methodology or empirical material. Instead, it was set up in a clearly tendentious manner.

The researchers based their calculations on a loosely justified estimate of scale effects--i.e. production costs for various quantities of manufactured materials--on the production of ammunition. This, in addition to private conversations with an FOA (Defense Research Institute) employee led the researchers to the conclusion that orders by the Swedish military for its own ammunition would be 20 percent more expensive if production quantities were reduced by half. This figure is then "translated" into what would happen if all Swedish weapons exports were eliminated. There are at least three aspects that must be pointed out about this line of reasoning.

First of all, FOA has not confirmed this information. On the contrary, it has pointed out (in an article by assistant professor Bo Ljung, DAGENS NYHETER Op Ed article of 21 May) that the Swedish Peace and Arbitration Association had misunderstood the study and drawn incorrect conclusions from it.

Secondly, a cost analysis for a single production line that produces a relatively large quantity of materiel for our own use and is in practically continuous operation is generalized to include all weapons exports which, in most cases, are not characterized by products for which the Swedish military places large and regular orders. Of course, this distorted reasoning results in a false and far too low estimate of the scale effects.

Thirdly, even if this method of calculation were used correctly, it would not indicate the total cost of stopping Swedish arms exports.

In most cases, the Swedish military's own orders for actual weapons are made only at certain intervals. In addition, the volume of defense orders is so low that we would be unable to maintain the professional and technical expertise that is needed when we make our own defense orders—unless, in the meantime, this industry is allowed to produce for other markets.

Here the report presents some vague argument to the effect that, in the meantime, these plants could produce civilian products at no extra cost. But what civilian products could they make that could help them retain expertise that would be competitive on an international level for the production of missiles, howitzers, or mines? This is a highly specialized activity. If we are to maintain a strong research and development capacity in this area without the possibility of exports, then the cost would not be several hundred million kronor per year, but rather billions of kronor.

The report from the Swedish Peace and Arbitration Association on arms exports is not a serious contribution to the debate. It may be a publication for those who are already "saved"—but as an economic study it represents an all-time low that will be difficult to beat.

I cannot understand how the prestigious Swedish Peace and Arbitration Association could put its name on this publication. Although I do not share the values of the association, I had some respect for its opinions in the past. The association wants Sweden to disarm. We should do this unilaterally they say—without this being linked to a general international reduction of arms. One part of this disarmament process would be for us to shut down the military industry we now have.

I do not share these opinions. If we are to have a credible nonaligned policy, we must have a strong defense. We manufacture over 70 percent of our weapons ourselves. That creates respect out in the world and increases confidence in our ability and in our will to maintain neutrality during a state of war.

The Swedish Peace and Arbitration Association has chosen not to debate the issue with these pure arguments, however. Instead, they are trying to get at

the Swedish defense industry by attacking arms exports, calling them morally reprehensible and what is more--according to this latest publication--of little economic importance to the Swedish defense industry. As indicated above, however, the economic argument does not hold. In my opinion, the moral argument is also incorrect.

With broad political unity in the Swedish parliament, we decided to build up a strong Swedish defense. We have granted ourselves the right to defend ourselves against outside attackers.

But according to the Swedish Peace and Arbitration Association it is morally reprehensible to export weapons to developing countries--even if they fulfil the strict Swedish requirements on the recipient country. I believe this represents a condescending attitude toward these countries. I believe it is a morally indefensible argument to deny poor countries the right to defend themselves against outside attackers while granting oneself that same right. That is what I would call a double standard of morality.

In addition, it is hardly politically prudent to prevent these developing countries from purchasing weapons from neutral Sweden and, instead, to refer them to one of the superpowers. In what way does the world become more peaceful if the developing countries are made dependent on one of the superpowers instead of permitting them to build up their defenses with weapons from nonaligned Sweden, as many of them want to do?

This is often advantageous to them economically, as well, since they can take advantage of large-scale production in the Swedish defense industry.

Thus, I can only conclude that both the moral and economic arguments of the Swedish Peace and Arbitration Association against the present restrictive Swedish policy on the export of defense materiel are incorrect. Through its attacks on arms exports, the association wants to reduce Sweden's defensive strength. It would be undeniably more honest if they had the courage to debate this openly.

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MILITARY

SWEDEN

AIRLINE TRANSPORTS TROOPS TO GOTLAND IN MOBILIZATION EXERCISE

Stockholm SVENSKA DAGBLADET in Swedish 13 May 86 pp 1, 6

[Article by Lars Porne]

[Text] Last Monday two Fokker planes from Linjeflyg roared over the treetops of Ostergotland and over the waves of the Baltic Sea in military formation.

This sight, which caused people to pull their necks out of joint, was the result of cooperation involving the military, the Civil Aviation Administration, and Linjeflyg.

A battalion of 300 reserve soldiers was taken from Norrkoping to exercises on Gotland under almost active-service conditions.

In a genuine crisis, planes from both Linjeflyg and ABA (AB Aerotransport) would be mobilized, so that the military would have a fleet of about 600 civil airplanes for transporting personnel and materiel.

Norrkoping, Visby—It may be assumed that only a few of us saw the two Linjeflyg Fokker planes flying in formation, almost wingtip to wingtip, over the forests of Ostergotland and over the Baltic Sea at an altitude of 150 meters.

In addition, one of the planes was beautifully painted on its port side with a green summer scene.

Camouflage coloring, we thought, since this unusual flight was under military control and its goal was to move a battalion of reserve soldiers from Norrkoping to Visby.

The young reservists came by bus to Norrkoping's Kungsangen Airport. They must have been surprised when they were loaded into two civil LIN planes.

Coproduction

The military commander, Lieutenant General Bengt Lehander, was there and viewed this event, which was a so-called coproduction involving the military, the Civil Aviation Administration, and Linjeflyg.

According to Lieutenant Colonel Per Olof Kinnander of the defense staff, there are three ways to transport military personnel to Gotland: they may be ordered to appear there, they may be mobilized on the mainland and flown to Gotland, or they may be sent by ship.

The whole operation went smoothly, except for the fact that the LIN planes arrived a little late. We also heard some rumbling among the higher officers in the military region because certain details had not been just right, since some people at the military staffs in Stockholm had come up with new ideas, but had failed to inform them.

Tense Situation

According to the scenario, there was a tense situation and troops had to be moved quickly to Gotland. About 300 men arrived in Visby after a 1-hour trip from Norrköping.

The two LIN planes arrived, quickly took on fuel, were filled with reserve soldiers, and took off. They flew in formation as low as the civil laws permit--at an altitude of 150 meters. The planes flew in formation, meaning that they were close together, with one slightly ahead of the other.

The Linjeflyg pilots thought it was fun to do a different kind of flying for a change.

The planes landed in Visby and let the soldiers disembark. The port side engine remained on the entire time. The planes then took off and returned to Norrköping just above the treetops once again.

The planes fly this low in order to avoid enemy radar.

Gotland Attack

The commander of the P-18 base, Colonel Stig Barke, was waiting for his soldiers, an antitank company, a tank company, and a howitzer company.

He needed them in order to attack Kappelshamn at dawn.

The cooperation with the Civil Aviation Administration and LIN is not unusual. The military often transports troops to Norrland in this way.

All the parties were involved in the exercise, especially Linjeflyg. LIN flew the planes and the Civil Aviation Administration paid the bills. In a genuine crisis, the Civil Aviation Administration would set up its own command center, but this time the military took care of this detail--with a certain bureaucratic unwieldiness, in the opinion of some.

Bad Weather

Director general Bengt A. W. Johansson of the Civil Aviation Administration was to have observed the exercise, but he could not come because of bad flying weather in Lulea.

It is best to practice military transports in fair weather.

In a war, the total resources of Linjeflyg and ABA would be placed at the disposal of the military. That would provide about 60 passenger and cargo planes.

In the case of an all-out war, we were told, it is doubtful that transports of this type could take place.

On Guard

It was slightly unusual to see the Norrköping airport watched by military guards, who were posted at all entrances and exits. They stood there with their machine guns to separate the terrorists and saboteurs from the ordinary civilian passengers. It is a dilemma in cases such as this, however, that military personnel do not have the right to stop and search civilians.

A special protective law must be invoked for this to be done.

In any event, there were no saboteurs, everything went well, and we were able to see the LIN planes flying in formation just above the treetops.

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MILITARY

SWEDEN

DEFENSE RESEARCH INSTITUTE TO STUDY OFFICER DRAIN CAUSES

Stockholm SVENSKA DAGBLADET in Swedish 14 May 86 p 15

[Article by Richard Aschberg]

[Text] The government has commissioned the Defense Research Institute to find out why so many officers are leaving the military.

The study will also investigate conditions that could motivate personnel to remain.

"In some places, civilian and military personnel have quit in such great numbers that the problem has become serious. At certain places, they are hardly able to carry out their assignments because of the personnel shortage," Defense Minister Roine Carlsson said at a meeting of the Swedish Officers Association last Tuesday.

Sharp Reduction

Agencies of the Defense Ministry have over 40,000 employees. Personnel has been reduced by 6 to 7 thousand since 1972, however.

The reduction in personnel resulted to a great extent from budget cuts in the military. Recently, however, many officers have quit and taken civilian jobs.

So far, this has applied mainly to pilots and technicians, but other officers are now beginning to leave the military, as well.

"We must work with wage policy, personnel development, the working environment, and workplace democracy," said Roine Carlsson.

The Swedish Officers Association has conducted a brief survey to find out why so many officers are leaving the military.

Move Too Often

It showed that many of the officers were extremely tired of having to move seven or eight times during their career. Nevertheless, wages were the main

issue. Most officers feel underpaid. This is particularly true since they can obtain jobs in the civilian sector with significantly higher pay.

Military wages may be changing, however. Recently, the Swedish Officers Association negotiated new wages for pilots. The result was a significant increase in pay for many of the pilots.

"You were able to defend your interests in an extremely competent manner," SACO/SR (Swedish Confederation of Professional Employees—National and Local Civil Servants Union) chairman Jorgen Ullenhag said at the association's meeting on Tuesday.

Study Within 1 Year

The FOA (Defense Research Institute) study on why so many officers are leaving the military should be complete within about 1 year.

"The situation is now so acute that we cannot sit around and wait for a study," Olle Sandhaag told the Swedish Officers Association.

The association wants higher wages and better training for officers as soon as possible.

The association now has the government's support for its demand that working conditions be improved.

"Equipment and materiel are important for efficiency, but I believe it is now time to invest in the 'software'--personal quality. It is not as spectacular as new aircraft or new tanks, but it is extremely important," said Roine Carlsson.

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MILITARY

SWEDEN

BRIEFS

PRIVATE FUND DONATES ASW MONEY—On the national holiday this Friday, naval chief Vice Admiral Bengt Schuback will receive a contribution to help the navy hunt submarines. The so-called Gasefjard Fund will turn over 1.2 million kronor to the navy. The admiral himself will travel to Aseda in the heart of Smaland to accept the money from the founder of the fund, Nils-Arvid Andersson, during a ceremony at the sports stadium. The navy will use the money to start a fund to help develop antisubmarine weapons. The Gasefjard Fund began in the fall of 1981 after the Soviet submarine 137 ran aground in the Karlskrona Archipelago. [Text] [Stockholm DAGENS NYHETER in Swedish 3 Jun 86 p 8] 9336

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ECONOMIC

BELGIUM

EFFECTS OF AUSTERITY PACKAGE ON EMPLOYMENT, INFLATION NOTED

Brussels LE SOIR in French 6 Jun 86 p 5

[Article by Guy Depas: "Good for the Budget, Val-Duchesse Would Kill at Least 30,000 Jobs"]

[Text] The Val-Duchesse plan may be almost credible, but it is terribly cruel. If it were applied in full, and that is a burning issue at present, it would have dire consequences for economic growth, the level of investment, foreign trade and private consumption. Even inflation would not be spared.

But the conclusions of a recent study conducted by the general bank office's staff show that the budget deficit would be reduced at the cost of jobs. The additional unemployment it would cause would be enormous: the bank estimates between 27,000 and 61,000 jobs lost by the end of 1987 depending on how the plan is implemented.

The bank heads off accusations that its work is politically motivated, citing its longstanding pleas for stabilizing government spending. The bank maintains that its study is just a routine analysis intended only to provide objective information. This is all the more believable because it does admit that the plan meets the government's objectives even as its conclusions provide grist for the socialists' mill.

No effect on employment in the private sector? Wrong! The experts calculate that the new wave of austerity would put 18,000 to 33,000 more people out of work in the private sector.

Does this report throw a rock into the pond on the eve of the consultations where on Friday Martens and Houthuys are theoretically supposed to ride the tandem cycle that the government and the CSC [Confederation of Christian Trade Unions] have been pedaling for more than 4 years? And when political confusion reigns concerning education?

Even so, is the objective within reach of the plan? Indisputably, says the general bank office.

But it leaves no illusions. The predicted savings of 199 billion francs can be achieved, it says, whatever is done, provided a tight rein is kept on the budget, as planned. The bank adds that wittingly or not the government has made some errors in judgment.

The net savings of the chosen budget cuts have been overestimated. And if the figures eventually balance anyway, they may do so because the impact of the economic upturn has been underestimated. Thus, the 165 billion francs in savings proposed as a result of the spontaneous drop in interest rates would amount to only 126 billion. However, the difference would be made up as follows: 49 billion francs instead of 34 billion as a result of the drop in interest rates, and 12 billion more generated by a speed-up in real economic growth.

Who Benefits From the Economic Situation?

The 12 billion francs make this a serious problem. Current economic strength is due mainly to the drop in oil prices: the government either meets its budget objective by confiscating it or, as Martens claims, continues to make it available to the people in order to pump up consumer buying power and neutralize the deflationary effect of the program.

This raises a basic question: since the same sum cannot be credited twice, can it be held that the extra growth in the gross national product would make it possible to recover some of the jobs destroyed by austerity?

The general bank office research staff used macroeconomic techniques to measure the consequences of the Val-Duchesse plan. Since the concrete measures of application have not yet been decided on, two hypotheses had to be chosen.

The first is optimistic and supposes that the government will strive to maintain employment as much as possible. The second is pessimistic and is based on the assumption that the savings will be made essentially (especially in public spending and education?) at the expense of the number of workers employed. Since the assumptions are different, the two scenarios yield results that are sometimes widely divergent.

Finally, as a basis for comparison, the bank has chosen to establish an economic and social profile by projecting two parameters onto the situation existing before the Val-Duchesse plan: crude oil at \$15 a barrel in 1986 and \$16 in 1987 instead of the \$24 used by the government; the rate of exchange is projected at 46 Belgian francs to the dollar according to Martens VI.

The following table gives the result of the projection for 1987 for the different areas of the economy according to these scenarios. If the foregoing is true, Martens will meet his budgetary challenge.

According to the first scenario, the deficit to be financed by borrowing would be brought down to 339.3 billion francs or 6.6 percent of the GNP in 1987.

In the second hypothesis, considering the number of extra unemployed to be supported, it would be lowered to "only" 344.4 billion francs or 6.7 percent of the GNP. All things being equal, it would not fill a hole estimated at 511.8 billion francs or 9.6 percent of the GNP. It should be noted that the reference to the GNP is slightly skewed, experts admit, because of government and bank accounting differences. Is Val-Duchesse credible? Almost.

Is it cruel? Certainly. But is it politically applicable? The question is now more urgent than ever. And the answer, at least in the initial phase, should seal the government's fate.

The Belgian Future

<u>[economic category]</u>	<u>scenario 1</u>	<u>scenario 2</u>
Private employment	-10,000 units	-33,000 units
Public employment	-9,200 units	-28,000 units
Gross national product	-1.2 pct	-1.3 pct
Private consumption	-1.1 pct	-1.1 pct
Public consumption	-2.0 pct	-3.5 pct
Inflation	+0.5 pct	+0.5 pct
Exports	-0.7 pct	-0.7 pct
Business investment	-1.5 pct	-1.9 pct
Public investment	-18.1 pct	-18.1 pct
Housing investment	-1.9 pct	-2.9 pct
Short-term interest rates	-1.5 pct	-1.5 pct

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ECONOMIC

FINLAND

FINANCE MINISTRY REPORT STRESSES EXPORT POTENTIAL TO WEST

Stimulus From Oil Prices

Helsinki UUSI SUOMI in Finnish 14 May 86 p 20

[Article: "New Growth Opportunities in Exports to West"]

[Text] Economic development is not as gloomy as was estimated at the beginning of the year. The economic section of the Finance Ministry predicts economic growth now to be 2.5 percent instead of the 2 percent growth predicted in January.

The slower deceleration rate than what was predicted for economic growth is a result of the drop in oil prices, which has had a positive effect on the economies of the Western industrialized countries. Likewise, domestic consumption is increasing at a more rapid rate than what was predicted in January.

According to the Finance Ministry, what is essential is how effectively the growth in Western markets can be exploited and the degree to which a decrease in exports to the East can be prevented.

Unemployment will increase to 6.5 percent according to the forecast. Unemployment will become worse in industry, in particular, and will be the worst in the older age groups.

Competitive Ability Becoming Weaker

Even though price increases have continued to slow down, the price competitiveness of industry will become weaker this year by a couple percent. On the other hand, the energy tax reform proposed by the government would perceptibly reduce the expenditures of industry this year already.

The Finance Ministry is concerned about the sliding pressure of wages in the sector protected from foreign competition. The sliding pressure caused by strikes will make it more difficult to revitalize employment. In this economic review it is feared that sliding pressures will erupt and spread throughout the whole economy.

Interest Rates Down

The economic section considers it important to accelerate exports and investments. A reduction of the daily interest rate would be the most effective support for investments, states the report. Norway's devaluation has, however, changed the situation since the compiling of the report. A further reduction of the basic interest rate, which would improve the profitability of businesses, is also recommended in the report.

The real disposable incomes of households is expected to increase 4 percent this year. The growth of state revenues, on the other hand, will remain at half of last year's growth because of the deceleration of the increase in prices and wages. It is predicted that the gross tax rate will decrease by nearly half of a percentage point.

Economic Predictions by Research Institutes								
		GNP	Consumer	Unemploy-	Exports	Imports	Invest-	Consump-
		%	Prices	ment	%	%	ments	tion
		%	%	%	%	%	%	%
VM	(V)	2.5	2.5	6.5	0.5	3	1.5	3.5
PTT	(IV)	1.5	2.5	6.6	-1	3.5	0	4
TTT	(III)	1.5	3	7	2	2	-0.5	3
SYP	(III)	2	3	6.5	1.5	5	2	3
KOP	(II)	2	3	6.5	1	4	1	4
ETLA	(II)	2	3	6.6	1	3.5	1.5	3

(Month prediction was made appears in parentheses)

Slow Western Export Expansion

Helsinki HELSINGIN SANOMAT in Finnish 27 May 86 p 2

[Editorial: "Finland's Export Structure Changing Too Slowly"]

[Text] Finland's exports have become gradually diversified. Nevertheless, it is still excessively dominated by raw materials. The proportion of high-tech products in exports is less than that of the industrialized countries. Also investments in research and product development are less than the average level in industrialized countries in proportion to the amount of production. Also those high-tech products which require a lot of development work enjoy the greatest demand on the world markets. This will certainly be the case in the future also.

Our country's export industry is, to a great degree, concentrated on areas in which the demand for products on world markets has grown relatively slowly in recent years. The prospects indicate that in the shipyard industry, in particular, and in a portion of the forest industry as well as in the labor-intensive consumer goods industry market difficulties will increase rather than decrease.

Area factors also play a role in the relatively weak development of exports. Three-fifths of all exports is aimed at Western Europe where economic growth and import demand have developed more slowly than the average since the energy crisis. Finland's exports to countries with rapid growth are quite modest.

While trade with the West became weaker, the growth of Soviet trade fortunately alleviated the problems caused by this more than once. The effect has been to cover up weaknesses in industrial development. Indeed, Finland's economic growth has been greater than the average rate for industrialized countries for several years, which has clearly resulted in excessive self-satisfaction.

Finland's share of the world's export trade is now less than at the beginning of the last decade in spite of the relatively rapid growth of trade with the East. Since cheaper oil is now in turn reducing exports to the Soviet Union, additional trade must be found elsewhere.

Western European economic growth, which has been on a downhill slide for a long time, is now showing promise of becoming stronger. However, the growth of exports to this area will not just come about by itself. The competitive and marketing ability of Finnish industry will be put to the test there just as in more distant markets where sales must also be increased if we intend to succeed.

The funding structure of Finland's capital-intensive industry is clearly more disadvantageous than that of its foreign competitors. It has, to a great degree, ended up in a cycle in which the growth of the cost of debt servicing weakens profitability, and the poor income funding ability arising from this, for its part, causes new indebtedness. The Industry Association has reason to be concerned about the future of Finnish production. There are clearly now more threats and weaknesses than opportunities and strengths.

The challenges are great and manifold especially for business activity itself, but also for overall economic and taxation policy. A tremendous ability to renew and adapt will be required of industry. Its structure has so far not been able to meet the demands of the markets with sufficient speed. Industry is now faced with even greater tasks. The Industry Association is also quite correctly turning its attention to the need for business cooperation and a sensible internationalization.

The government, for its part, must give up its discrimination against risk capital as well as facilitate a structural change by also increasing its own contribution to research and development work as well as to credit arrangements for exports to developing countries, in particular. Only after becoming concerned about the development of good competitive conditions for industry will the political decision-makers be able to expect that industry itself will successfully accomplish its tasks as well as achieve the same growth rate in exports as world trade has on the average.

10576

CSO: 3617/118

17 July 1986

ECONOMIC

FINLAND

VALMET ATTEMPTING TO TRANSFER AVTEK PLANE PROJECT TO COUNTRY

Helsinki HELSINGIN SANOMAT in Finnish 21 May 86 p 36

[Article: "Valmet Attempting to Transfer Avtek Development Work to Finland, Negotiations Being Conducted on Public Product Development Funds"]

[Text] The state-of-the-art American fiber-glass Avtek-400 aircraft may become a Finnish or at least an almost Finnish product.

Under the direction of Valmet an attempt is now being made in Finland to assemble a business group, which would advance this latest aircraft project, which has become bogged down in financial difficulties, primarily by means of public product development financing. Neste and as far as is known Partek is also interested in this matter.

Matti Kankaanpaa, the managing director of Valmet and a member of the board of directors of Avtek, which is under American ownership for the present, confirms that negotiations for completing the research and development work on Avtek by Finnish efforts are being conducted with a great degree of urgency.

The Technology Development Center, Tekes, which is under the Ministry of Trade and Industry, and Sitra, the Finnish Independence Anniversary Fund, which distribute public product development funds, are in a key position. The major portion of the 100 million markkaa lacking is being sought from them. This is the amount considered necessary for obtaining a type acceptance certificate for the Avtek-400 fiber-glass aircraft, which is in the prototype phase.

With its approximately 5-million markka investment in capital stock Valmet has so far been only a minority shareholder in the company, which is primarily under the ownership of the project's promoter, Bob Adickes, a retired American commercial airline pilot. The development work on the two-engine fiber-glass aircraft has, however, nearly exhausted all of the money invested by Adickes, who is operating on a narrow base of capital.

An attempt has been made to acquire additional money primarily from within the United States where, however, the state of New Mexico most recently refused to join the project as a risk investor. If additional funding is not found, development may come to a halt and the Avtek-400 will be put out of business by its competitors.

According to Kankaanpaa, the need to find financing is already beginning to acquire a sense of urgency. Adickes cannot be pushed completely aside nor is there any desire to do so, but Valmet's objective now is to find Finnish financing and workers for 80 percent of the remaining development work before the summer breaks.

Fiber-Glass Is of Interest

According to Kankaanpaa, Avtek does not interest Valmet or the other Finnish firms as a commercial aircraft project as much as it does as an exceptional opportunity to become familiar with new construction materials. The aircraft will be made entirely of new fibrous materials such as carbon fiber and kevlar.

There is, however, enough business sense at Valmet that the firm is not even considering the transfer of the entire Avtek project to Finland. From the point of view of sales, the American contribution is a necessity since overwhelmingly the largest markets for a two-engine aircraft are in the United States. In addition, the standard approval certificate for the aircraft must in any event be obtained from the FAA in the United States.

Also Neste's Assistant Managing Director Jussi Rinta states that his own company is primarily interested in the knowledge of plastic materials offered by Avtek and not in the commercial manufacture of the aircraft. According to Rinta, Neste is interested in participating in the Finnish Avtek-group being planned by Valmet.

Valmet became a minority shareholder in the Avtek project a little more than a year ago. Finland's only aircraft plant is participating in the development of fiber-glass landing gears and specialized versions intended primarily for military aviation use. The landing gear project has employed several of Valmet's engineers at Avtek in California for more than a year already and the work is progressing well according to Kankaanpaa.

Valmet has invested 1 million dollars or approximately 5 million markkaa in Avtek's capital stock. Kankaanpaa himself is a member of the company's board of directors.

10576

CSO: 3617/118

ECONOMIC

FRANCE

CORRECTIVE BUDGET MEASURES APPROVED

Paris LE MATIN in French 3 Jun 86 p 4

[Article: "Budget: Odds and Ends for Frée Enterprise"]

[Text] The budget bill: the National Assembly rejects the Socialist censure motion and passes several measures, notably abolition of the IGF [Inspector General of Finance].

The censure motion brought by the Socialists following the government's submitting the budget was rejected yesterday afternoon with only 251 deputies voting in favor (Socialists, Communists, and assorted leftists) with 289 votes needed to pass. The corrective budget bill for 1985 was thus adopted on first reading by the National Assembly. The bill contains some measures included in the initial bill and others resulting from amendments accepted or inserted by the government.

Repeal of the tax on large fortunes, effective 1 January 1987. This tax affects 100,000 taxpayers, and polls show that its repeal is opposed by 95 percent of the people.

Tax and customs duty amnesty on capital repatriated to France by 1 January 1987 by means of a 10 percent amnesty tax on the amount of the capital. This would be certified by an anonymous receipt.

Repeal of the obligation to pay by check on amounts over Fr 10,000. This provision, like tax amnesty and reestablishing anonymous ownership of gold, is considered a gift to "cheaters" by tax unions and the opposition parties.

Reduction in tax audit time limits from 4 to 3 or 2 years. This amendment was introduced by Valéry Giscard d'Estaing and will be effective for audit notices sent to businesses beginning 1 July and, for individuals, in 1987.

Three years exemption from payroll tax for continuing education, construction, and mass transportation in large cities based on wages paid by companies with more than 10 employees.

Exemption from social taxes of 25-100 percent for businesses hiring young people between the ages of 16 and 25. The duration of these exemptions will vary.

Establishment for 10 years as of 1 January 1987 of a fund to pay off the national debt. The fund will receive a part of the proceeds from privatization to pay off the national debt.

Establishment of a special account for the "proceeds of privatization," which will keep a record of receipts and their ultimate use.

Collection of Fr 2 billion from the Local Government Equipment Assistance Fund (CAECL).

Investment taxation: As the government wants to benefit married couples, it is raising the exclusion exemption on stocks and bonds to Fr 5,000 for unmarried people, Fr 10,000 for married couples and, by an amendment proposed by the Finance commission, to Fr 8,000 for single individuals over the age of 65.

New tax rules for variable-rate bonds, SICAV's [variable-capital investment companies] and mutual funds: The government simplified its original text by amendment.

Fifty percent reduction of value-added tax on home heating oil used by farmers.

Doubling the drivers license examination fee from Fr 65 to Fr 130 as of 1 July 1986.

Collection of taxes on winnings from Loto and Sports Loto from 5 percent on Fr 5,000 up to 30 percent on winnings over Fr 5 million.

Establishment of a Fr 150 registration fee for civil-service examinations. This was proposed by Edmond Alphandery, who had been opposed to this amendment. The candidates for the ANPE [Adult Professional Education Exam] as well as children of unemployed persons would be exempt.

8782

CSO: 3519/182

ECONOMIC

FRANCE

INCREASED PROFITS REPORTED FOR 1985

Paris L'EXPRESS in French 2 May 86 pp 31-32

[Article by Christine Delavennat: "Business: Profits Soar"]

[Text] Profits are recovering in all sectors, sometimes spectacularly. But although things are better now in France, they are not as good as they are elsewhere.

Is the crisis really over? As they do every spring, businesses are totting up their accounts for the previous year. The first results are beginning to come in. They are, for the most part, very encouraging. "We expected definite improvement, but it sometimes exceeds our forecasts," it is being said in stock market circles. Amid the euphoria of 3 years of rising stock market prices and future privatization of government-owned businesses, the feeling is that the economy is off to a new start.

A few examples from the most visible companies: Leroy Somer (presided over till this March by the present minister of Commerce and Small Business, Georges Chavanes), Moet-Hennessy (brandy, champagne, perfume and roses, "managed" by Alain Chevalier), Chargeurs, Inc., Jerome Seydoux (the top man of five and the UTA [Union of Air Transports], Lyons Water company, and Jerome Monod. They are announcing profits increasing by 30, 40 or even 90 percent. True, there are occasionally some exceptions such as credit transfers, which create paper profits. Thus, 90 percent of Leroy Somer's increase amounts to a real improvement of only about 25 percent. Even so, it's not bad. There is one particularly encouraging sign: not only are traditionally profitable companies even more profitable, but some companies, such as Michelin and Valeo, which have been heavy losers, are getting out of the red or, like Peugeot and Poclain, cutting their losses. "Disappointments are rare, except perhaps in pharmaceuticals," says Delphine Portier, an analyst for Tuffier-Ravier brokers.

Government accounts confirm this uptrend, although with some sour notes. The Bank of France's report published in mid-April shows that despite stagnant turnover, industrial firms' gross profits rose by 12 percent in 1985 with a slightly favorable trend in small and medium industries. The INSEE [National Institute of Statistics and Economic Studies] in its initial estimates of national accounts quotes a similar figure for non-financial businesses generally (except for the large national companies such as the SNCF [French National Railways] and the EdF [French Electric Co.]). The average profit margin was 27 percent and is at the same level as before the oil crisis.

Has the bill for the bad years been paid? "Certainly not," says Hughes Wilhelm, an economist who closely scrutinizes company accounts for the BNP [National Bank of Paris]. "I have always been more pessimistic than the INSEE for the last 4 years, and the final accountings always bear me out. Undeniably, after-tax gross profits are recovering, but if you consider time payments, net profits were negative (-2.1 percent) in 1984 and are no doubt exactly zero for 1985." He is even more circumspect when he makes international comparisons: despite the recovery of recent years, France lags far behind Japan and the United States and even the United Kingdom. This trend justifies the conclusion of the CNPF [National Council of French Employers]: "Things are better than they were, but not as good as they are elsewhere."

True, the emergency course change in economic policy made in 1983 has made it possible to slow down the rise in business costs. This has been due to wage moderation and a large loss of jobs. "A kind of tacit consensus with the unions and government has enabled us to slim down immensely without problems," admits a consultant who has done a lot of work with larger small and medium-sized businesses and with nationalized companies. Among the businesses in the Bank of France's portfolio the number of employees dropped by an average of 2.9 percent in 1985 after a decrease of 2.7 percent in the previous year. In companies with more than 500 employees, the rate is twice as high. These large staff cuts have been accompanied in the last few months by considerable savings in imported raw materials: in francs, their cost has dropped by 31 percent since March 1985.

However, the recovery is far from complete, as is borne out by the fragility of our foreign trade: industrial sales have been up sharply in the last 3 years, but they are growing more slowly than our competitors' ("Better than before, but not as good as elsewhere") and they are still fragile (they collapsed last month). "The weakness of our foreign trade is due directly to the underinvestment of French companies," says an economist of the economics institute IPECODE. From their point of view, the recovery is not obvious. True, the INSEE says that investment has recovered slightly in volume (up 1.9 percent) after 4 years of decline for business generally. But as far as industry alone is concerned, where equipment expenditures have traditionally been large, the Bank of France notes that there is some regression: up 5 percent in 1985 as opposed to an increase of 9 percent in 1984.

A Historic Chance

Employers expected tax incentives for investment from the new government. "We have given it a lot of thought," says Alain Juppe, the Budget minister. But nothing was announced in the budget submitted to the National Assembly on 16 April. Obviously, to give business a push, the Chirac team prefers to bet on a gradual freeing-up of prices, more flexibility in business regulations, and spectacular improvement in the international environment.

Considering the decline of the dollar, oil prices and interest rates, the OECD recently revised upwards the 1986 growth outlook of developed countries: up 3.25 percent. France may reasonably expect an increase of 3 percent. The increase in profits begun in 1985 may thereby be amplified. "We are hoping for average profit increases of 15-20 percent next year for companies listed on the stock exchange," it is said at Nivard-Flornoy brokers.

A historic opportunity is opening up: To make lasting use of it, business must not only continue to strengthen profit margins and reduce debt but also invest. Then, perhaps, economist Michel Drancourt's stern assessment may be proved wrong: "France is still playing ball, but it has gone down to the minor leagues."

8782

CS0: 3519/182

ECONOMIC

ITALY

PROJECT FOR MESSINA STRAITS BRIDGE EXPLAINED

Rome LA REPUBBLICA in Italian 21 May 86 p 15

[Article by Enzo Cirillo: "The 'Sages' Have Now Decided What Kind of Bridge To Build to Messina"; first paragraph is LA REPUBBLICA introduction]

[Text] Construction can be completed in 8 years; plans call for a single 60-meter-wide span carrying six traffic lanes separated by the two railway tracks. Tests and soundings were made by engineers, biologists, meteorologists, and antiterrorism experts.

Rome--For a permanent crossing between Sicily and Calabria, the technical experts have solved the problems linked to the possibility of constructing what the experts are already calling the largest civil engineering project in the world. Scilla and Cariddi will be linked by a single-span bridge over which trains, automobiles, and heavy transport will be able to pass.

This decision was contained in a highly confidential document delivered within the past several weeks by the general management of the Italian State Railways [FS] to Minister of Transport Signorile and Prime Minister Craxi. It is supported by the conclusions reached by the commission of 250 experts who in recent months have continued to work for the Messina Straits Company of IRI-Italstat [Industrial Reconstruction Institute-Italstat].

The first--and basic--response of the top technical experts of the concerned ministries and companies has thus been submitted (the response of the Superior Council of Public Works--which will meet within the next several days--is pending), so that it will now be possible to work on the rough draft of the project. The bill to finance the project is already being debated in Parliament.

There is accordingly no doubt that a permanent crossing is feasible, and it can be accomplished in a relatively short period of time: 7 to 8 years for the structure proper, and from 10 to 12 years if one also includes the construction work in the two graded areas that will contain the huge concrete foundations of this decidedly unique structure. The conclusions reached by the technical experts--as set forth in the documents now in the hands of the government--are complex and interrelated. An enormous amount of work has already been completed, yielding tons of documents for the transport of which a TIR had to be used.

Experiments, soundings, tests, inspections, and analyses were carried out by hundreds of engineers, biologists, meteorologists, and antiterrorist experts. In the course of adopting the optimal typology, the inspection groups and technical experts of the RS have in fact responded to all the proposals elicited. The statistical brain trust has satisfied everyone.

Tests made in the Fiat wind tunnel, and experiments conducted with locomotives and railway cars on a bridge that crosses the Po River, have eliminated the last remaining reservations. From the hydrodynamic, geosismotectonic, geochemical, meteoroclimatic, seismic, aerostatic, and aerodynamic standpoint, the zone of the Messina Straits no longer holds any secrets. It is the most thoroughly studied and X-rayed area in the world. It holds no surprises, not even as regards the impact that this 21st century colossus will have on the land and on the ecosystems.

But let us see why there will be a 3,300-meter-long bridge linking Sicily and Calabria. In order to say yes to the single-span structure, the technical experts first explained why the other proposals made in recent years are not practicable.

(a) Tunnels Under the Sea Floor

"Tunnels," the experts say, "would be high-risk solutions, because of the fact that they would traverse a permanent system of active faults on the sea bottom; because of the high construction and operating costs; and also because of the length of the surface and underground approaches, particularly those for the railway. The time required for building the structure would also be excessive.

(b) Tunnels on the Sea Floor

Not are crossings that are suspended or laid on the sea bottom feasible. "A solution involving a crossing supported on piers," the document says, "is not practicable, because it is totally incapable of responding to the seismic postulates. The impact, and the influence, of currents and wave motions in the event of an earthquake would destroy the structure."

(c) Archimedes Bridge

The Archimedes Bridge--that is to say, a tunnel supported by transverse cables and suspended in water--also was shelved, with the permission of inventor and shipowner Matarona, who had acquired the rights to the project. The original solution--taken from the studies of the Syracusan scientist who lived before Christ--does not respond, the RS technical experts allege, "to the postulates of the seismic study."

(d) Underwater Tunnel

An underwater tunnel, on floating supports, was the most recent of the tunnel proposals, and it also miscarried. "This proposal," the experts say, "is unworkable, because of the wave and hydrodynamic motion that exists in the channel. Moreover, the costs would be insupportable, while the problems relating to the cathodic protection of the support cables are in practice insoluble."

[e] Suspension Bridges With Two or More Spans

"Crossings of this type present serious problems for navigation," say the documents sent to Signorile and Craxi. "Moreover, drawbacks have emerged with respect to the feasibility of erecting the supports in the sea and the ability of the towers to withstand earthquakes."

[f] Extra Wide Bridges With Several Spans

This solution appears to be very difficult, the technical experts say, "because of instability in the erection stage and because of high construction and maintenance costs."

[g] Single-Span Suspension Bridges

This is the solution suggested by the experts. It calls for two very large steel towers 400 meters in height resting on an enormous concrete base protected by a small breakwater extending several tens of meters into the water.

A series of cables--fastened in their turn to two very long cables each 1.70 meters thick--will bear the 60 meters of roadway, over whose six traffic lanes and two railway tracks thousands of motor vehicles and tens of trains will pass each day. Lastly, the test for resistance to possible wind stress is of interest:

"Tests conducted on the experimental aerodynamic model," the FS and Messina Straits Company engineers wrote in their reports, "confirm that the bridge will be able to withstand--until the year 4000--gusts of wind in excess of 220 kilometers per hour."

10992

CSO: 3528/145

ECONOMIC

TURKEY

POSSIBLE IMPACT OF TOKYO SUMMIT ON TURKEY EXAMINED

Istanbul DUNYA in Turkish 5 May 86 p 1

[Editorial: "Does the Tokyo Summit Concern Us?"]

[Text] We are very busy these days. For example, we are debating the issue of who owns the Southeastern Anatolia Project. Our attention is focused on the parties being formed and dissolved on the "right" and on the "left." The government has mobilized all the cabinet members who are "tied down" with cornerstone-laying and inauguration ceremonies for regional traffic office buildings and new 200 to 300-line telephone exchanges. We are so preoccupied with such domestic problems that we are not in a position to look at the radiation threat that has arrived at our borders in Thrace from the Chernobyl nuclear power plant. And since our economy is moving forward with "giant leaps" as Prime Minister Ozal claims, countries like ours should not be concerned about "run of the mill" meetings like the Tokyo summit.

Is that really true? Should we not be interested in the issues to be talked about and the decisions to be taken at the Tokyo economic summit among the seven industrialized countries and the EEC which set the course of the globe's economy? For example, does the government have any special interests or plans on how this summit may affect Turkey in the second half of 1986 or how its decisions may spill over into 1987? Or, at least, has the Prime Minister directed his close advisers to watch the summit as closely as possible and to prepare a report examining its outcome?

The truth is that the Tokyo summit will focus, in the guise of a U.S.-Japanese trade conflict, on the issue of protectionism which is of interest to developing countries like Turkey. The industrialized countries are concerned about the adverse affects caused in their economies by protectionism which they themselves have fanned. This time there are cracks in the unity of these countries. The confrontation between the United States and the EEC over agricultural products has reached the point of exchanging threats of harsh measures. The United States is also pressured by growing Japanese industrial competition. The rapidly rising value of the Japanese yen is seen as the "only hope" of the United States which has not devalued the dollar sufficiently. At the summit, U.S. President Reagan will ask the Japanese to maintain the high value of the yen in return for a pledge to reduce the value of the dollar further by adjusting interest rates. Reagan is hoping that this way the United States may reduce its imports from Japan and make its export

prices "more competitive." Japan, on the other hand, continues to be dominant in both the U.S. and European markets despite the yen's strength. Can the export-dependent Japanese economy slow down its pace so suddenly? The debates and bargaining at the summit will focus on these issues.

Another issue, which is also dependent on what the United States will be able to obtain from the Tokyo summit, may have a more direct impact on developing countries. Because the United States is openly threatening to use the weapon of protectionism against the pressures of Japan in industrial exports and the EEC in agricultural exports. If it chooses to pursue that path it will perhaps try to strike at Japan in high-technology industrial products. But also included in the targets of the protectionist measures to be expanded are agricultural products and light industry products such as textiles which are largely the trump cards of the developing countries. If the United States is forced to pursue this course, it will be unavoidable for the EEC and other large economies to follow suit. Turkey, which is experimenting with opening up to the outside through exports, must at least carefully watch these developments which may potentially lead to a confrontation among the large economies after the Tokyo summit.

9588

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ECONOMIC

TURKEY

TRADE WITH IRAQ EXPECTED TO END IN DEBT REPAYMENT DISPUTE

Istanbul DUNYA in Turkish 5 May 86 pp 1,11

[Report by Muzaffer Gencdogan]

[Text] Ankara--A Turkish delegation which had gone to Baghdad to resolve disputes between Turkey and Iraq over foreign trade and crude oil has returned home without reaching an accord. No agreement could be reached with Iraq over economic issues. It has been disclosed that while the disagreement over the repayment terms of exports continues to be the dominant problem, avenues for new exports to Iraq have been closed and the import of oil at low prices has been tied to certain conditions. Thus, trade relations between Turkey and Iraq and the issue of Turkish imports of crude oil from Iraq are at a deadend.

No Compromise Found

It has been disclosed that the Turkish delegation headed by Undersecretary of the Treasury and Foreign Trade Ekrem Pakdemirli and Iraqi government officials failed to find the "middle road" necessary for an agreement at the talks that started in Baghdad on April 26. According to the information obtained, the Iraqi side insisted on its proposal of a 24-month repayment term for its imports and did not accept Turkey's offer of extending the current 12-month term to 16 months. In insisting on its own proposal, the Iraqi side cited difficulties in foreign currency payments because of the state of war it is in.

The Turkish side, on the other hand, stated that it has its own foreign currency problems and that, however, it is willing "to extend the current 12-month repayment term for its exports to 16 months." This proposal was not accepted by the Iraqi side. The Iraqi side reiterated its proposal--first put forward during Prime Minister Turgut Ozal's visit to that country in mid-March--of "raising the import repayment term from 12 months to 18 months and to have a 24-month repayment term on new import contracts."

As is known, during Prime Minister Ozal's official visit to Iraq in March Iraq asked for "an expansion of the import easements granted to it, the extension of repayment terms and the stipulation of a 2-year repayment term in new import contracts." Ozal did not agree to these proposals on grounds that "Turkey has its own foreign currency problems."

As a result of the failure to reach a compromise over foreign trade issues and the insistence of the Iraqi officials on their proposal, agreements expected

to be signed in trade and banking could not be signed. Thus, the banking agreement that expires on 6 April 1986 could not be renewed.

Insistence on Fixed Price

A member of the delegation that went to Baghdad disclosed that the Iraqi side demanded that the crude oil exported to Turkey be sold at a previously agreed fixed price. The official said that the Iraqi demand for a "fixed price" was naturally rejected in view of the sharp drop in world crude oil prices. Turkey also rejected the Iraqi demand for advance foreign currency payments for its oil imports from Iraq.

The official added that after the delegation returned to Ankara having reached no accord in Baghdad, delegation head Ekrem Pakdemirli left for Geneva for textile talks with the United States.

The official said: "The talks with Iraq have not been broken, but they have been postponed indefinitely. Under current conditions, the Iraqi market is over for Turkey. As long as negotiations are not resumed, it would be unrealistic to expect any improvement in economic relations between Turkey and Iraq. Furthermore, a major reason must exist for the two sides to come together again and to achieve any results."

Meanwhile, the financial support promised to Iraq by King Fahd of Saudi Arabia during Prime Minister Ozal's brief visit to Saudi Arabia on his way to India did not help to resolve trade and crude oil disputes between Turkey and Iraq.

At that time, Ozal had said with regard to his surprise visit to King Fahd that "while Turkey does not accept the 24-month repayment term on exports, it will be able to purchase crude oil from Saudi Arabia on a delayed payment basis in a way that will compensate for that dispute."

What Effect on Foreign Trade?

Turkey's failure to reach an accord with Iraq during two sets of official talks in two weeks is seen as a development which may reduce the volume of trade between the two countries from its current \$2-billion a year to very low levels. According to 1985 figures, Turkey exported goods worth \$950 million to Iraq and imported crude oil worth \$1.15 billion from that country. Thus, the trade volume between the two countries is around \$2 billion.

If an agreement is not reached between Turkey and Iraq in the coming months, firms exporting mainly to Iraq will be the worst affected. These firms must find new markets to replace Iraq in order to survive.

Turkey's failure to reach an accord with Iraq on foreign trade is also seen as a development which may have an adverse effect on Turkey's balance of current account payments. Since Turkey imported crude oil worth \$1.15 billion from Iraq as opposed to exports of \$950 million, the ending of these imports is not considered an advantage because Turkey's imports from Iraq were almost completely crude oil, and these purchases will inevitably be made from another country.

ECONOMIC

TURKEY

GOVERNMENT CHARGED WITH INTERFERING IN PRICE INDEXES

Istanbul DUNYA in Turkish 5 May 86 p 3

["View" column by Uluc Gurkan: "Guerrilla Warfare with Numbers"]

[Text] The most reliable and sound price statistics in Turkey is the consumer and wholesale price indexes compiled by the State Statistics Institute [SSI]. Obviously, such a stature can only be maintained through the preservation of the institute's impartiality and by refraining from playing with the figures.

However, it appears that after intervening in foreign debt and foreign currency computations the Ozal government has now interfered with the price indexes. The consumer price index issued by the SSI last weekend has been used as a guerrilla warfare weapon with regard to the performance of the economy.

Here is how.

Last Friday, the Istanbul Chamber of Commerce [ICC] issued the Istanbul Wage Earners' Index. The index showed that retail prices increased by 4.1 percent in April. This figure represented the largest increase for April in not only recent months but since the beginning of the implementation of the 24 January decisions with the exception of 1980 and 1983.

Ozal and his aides apparently consider psychological factors more important than solid facts on the issue of inflation. Thus, it is natural that the ICC's announcement of a 4.1 percent monthly increase in retail prices at a time when bank deposit interest rates have been reduced on grounds that "inflation has slowed down" would cause very intense discomfort.

But the response to that announcement cannot be considered natural.

The day after the ICC figures were announced, the SSI issued, at the government's bequest, its own price index regardless of the fact that Saturday is a holiday. However, the announcement contained less than one-third of the figures usually covered by the report.

The SSI consumer price index covers 14 provinces divided into 5 regions. The announced figures covered only 4 provinces. Stating that prices in Ankara

rose by 1 percent and that price in the other three provinces rose by fractions of 1 percent, the report ignored Istanbul which is what the ICC index is based on. What was done is a refutation of ICC's apples with pears and that by showing only the good parts of the pears.

In its obsession to prevent the consolidation inflationary expectations, the Ozal government has committed a grave error. Because, the SSI index offered to the public does not mean anything in its piecemeal form. The use of this index in this manner for the first time has moreover shaken the public's trust for the index.

A confidence crisis, on the other hand, is a psychological factor that may produce a collapse which goes beyond failures in the administration of the economy.

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ECONOMIC

TURKEY

HIGHER TAX REVENUES MAY HELP CIVIL SERVANTS, RETIREES

Istanbul MILLIYET in Turkish 4 May 86 p 8

[Report by Zulfikar Dogan]

[Text] Ankara--The government's maneuvering prospects with regard to the masses have improved following the rise of tax revenues in the first 3 months of the year to 1 trillion Turkish liras--an increase of 90 percent over the previous year, far above the expected 49 percent increase--and the reduction in the country's annual oil bill by \$1 billion as a result of the declining value of the U.S. dollar in international markets.

Observers stated that as a result of these developments the government will be able to raise the salaries of civil servants and retirees in 1986, which is termed as "Ozal's lucky year."

One-Trillion Level Surpassed

The most important development that has comforted Prime Minister Turgut Ozal on the eve of general elections is in the area of tax revenues.

According to provisional figures sent from accounting offices in various provinces to the Ministry of Finance and Customs, tax revenues in the first 3 months of this year reached the highest level in the history of the republic and since the economic stability measures began to be implemented 5 years ago.

According to initial estimates which exclude the institutions tax--for which returns must be filed by the end of April--tax revenues in the first 3 months of this year exceeded the figure for the same period of last year by more than 90 percent and broke the 1-trillion-lira barrier.

In the first 3 months of 1985, total tax revenues remained under 600 billion Turkish liras, but that was considered a successful amount compared to previous years.

It was expected that as a result of changes in the Tax Law and the closure of loopholes in tax collection tax revenues for this year would exceed last year's total by 49 percent, and tax revenues for the 1986 budget were forecast at 5,750 billion Turkish liras on the basis of that assumption.

VAT Produces Record Revenues

The targeted revenue for the value added tax [VAT] which was instituted in 1985 was set at 1,595 billion Turkish liras for 1986. However initial figures show that that amount will also be exceeded. In the first 3 months of this year, VAT revenues have exceeded expectations and have reached 400 billion Turkish liras. Officials have stated that the targets have been attained.

This increase in VAT revenues has helped the government to shoot two birds with one stone.

It has been decided to postpone indefinitely the 3-percent VAT that was to be collected on basic foodstuffs beginning in June 1986.

With this decision an increase has been avoided in food prices and consequently in inflation, which is said to be declining.

Now It Is Time to Keep Promises

Opposition proposals to include the civil service salary coefficient--previously set at 62 beginning in July--were rejected in the Assembly, and Minister of Finance Ahmet Kurtcebe Alptemocin stated at the time that only the Council of Ministers has the authority to set the salary coefficient.

The government did not want to be bound by including the coefficient in the budget, preferring to keep its options open and to reevaluate the situation as developments unfolded.

In a statement to MILLIYET, Minister of Finance and Customs Alptemocin said at the time that any tax and VAT revenues that exceed expectations will be reflected in civil service salaries.

In the light of these positive developments the government is expected to make new adjustments in the new salary coefficient and the heating fuel subsidy to go into effect in July. Previously begun work encompassing various options is under way on this issue.

In addition, Prime Minister Ozal's "no more belt-tightening" remark in a previous statement to MILLIYET is expected to gain concrete form.

In his statement, Ozal had said improvements are being planned in the condition of civil servants, workers, retirees, widows, orphans, policemen, judges, prosecutors and teachers.

These increases in budget revenues have given rise to the possibility of raising teachers' additional lesson fees and compensation, the special service compensation for judicial officials and policemen and the retiree salaries.

New Easement for Retirees

The Council of Ministers decree reducing the property tax of retirees owning only one residence and living in that residence by one-tenth of a percentage point was published in the Official Gazette yesterday and became law effective 1 January.

According to the decision the property tax which used to be 0.4 percent for these taxpayers will be 0.3 percent for 1986.

This means that the property tax of these taxpayers has been reduced by 25 percent.

The decision will apply equally to retirees, widows, veterans and orphans.

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ECONOMIC

TURKEY

EFFECT OF INTEREST POLICY, UNEMPLOYMENT FUND

Istanbul CUMHURIYET in Turkish 29 Apr 86 p 2

[Article by economist, banker Faik Y. Basbug: "Interest Cudget and Umemployment Fund"]

[Text] Interest is still on the agenda. That it would not be is out of the question owing to the new elevator system that has been introduced and, in conjunction with it, an economic structure in which the well-off are showing a greed extraordinary even for them. Everyone is trying to get a share of this over-flowing cup with all kinds of interest theories and, as a result, the work and debate having to do with interest never slow down. Actually, the elevator, i.e., the system of setting interest rates monthly according to inflation, is an outgrowth of this thinking.

Last month, as known, interest rates were reduced 1 or 2 points on short-term deposits. Now, considering the matter in light of rumors and interest-related developments around the world and in Turkey, one can predict another rate decline of 2 to 4 points. Thus, the important place on the middle class menu of short-term, that is, 3-month, accounts will, in fact, suffer another heavy blow that will leave these accounts reeling and powerless.

It is clear, and with a little research will be easily understood, that 3-month accounts belong mostly to the low income groups which are always stretched on the rack of inflation anyway -- civil servants, retirees, small businessmen; in short, they are middle class accounts. For this reason, any measures having to do with interest rates on 3-month accounts always make their first stop at the "middle class door." It is impossible to think otherwise.

So far, there has been no visible result from the first meeting. Or they are waiting a week to make an announcement. But the elevator on which the new rates that took shape in the administration's mind were placed will stop at a different floor once a month and the economy will be renamed in terms of interest. And this scene will be replayed every month.

In view of the fact that interest rates and inflation are being used at present as the most visible vehicle of economic policy, there is no need for much debate upon it. Somehow, the policy of "I will not budge no matter what

anyone says," applied throughout the 24 January period [of economic reforms], has been allowed to continue uncompromisingly. Even if one notices the many large gaps and proposes alternative policies, "one does not demand an accounting of the losses in the economy; the master is always master," according to established belief. It is, of course, a tremendous comfort that the administration never changes in this aspect of its behavior. So is getting used to wearing earplugs.

So, while interest rates are reduced every month, what will happen in the course of inflation, to which they are indexed, and in other economic indicators? In other words, seen through the spectacles of 24 January, what were the developments which provided the courage to juggle interest rates?

Viewed from this standpoint, it will probably be said first, "The inflation rate fell to an encouraging level in March and April and, at an annual rate of around 25 percent, looks good." Immediately after that would be listed other factors such as the headlong rush of world economies toward zero interest, the abundance of agricultural products, the ascent of global exports which is so well liked regardless of whether they are real or imaginary, and, most important, the idea that credit costs must come down now, too, and that this giant, often overlooked conduit of inflation must be stoppered.

Doubtless, the injustice of income distribution which has not changed one whit, unemployment, the burden which certain goods and services that are held captive by inflation place on the masses and therefore on the economy, the contract bottlenecks and foreign loan burdens which the economy faces under the yoke of the dollar, the excessive depreciation of the Turkish lira, the destruction of firms going bankrupt or failing, the fact that the abundance which those so eager to be profit champion carry on their balance sheets will come off the backs of the middle class, and that the zero-interest world markets are speaking a different language and, for this reason, must be kept completely off the record, all these are topics at least as important as the ones measured in terms of interest. And, when assessed from this standpoint, they show the need for middle class interest to be raised, not reduced.

In short, Turkey has never been able to look at the economy, devise a realistic interest policy and follow through consistently. While just yesterday short-term accounts with very high interest were in favor, they were wrong in light of the rationale at the time of a "program for liberation from inflation." Now the step-by-step reversal of policy in light of the point which individuals and systems have reached is wrong, too, because the giant macro-systems have to be paid for by individuals and businesses with momentary decisions and are cut off from the economy by saying, "I lowered it, I raised it," as if playing puss-in-the-corner. As a result, all the vehicles which the economy could use begin twisting and turning this way and that like all vehicles that get lost. Has there ever been a time when the economy benefited from interest policy, I wonder?

Inevitable Conflict

A very interesting sample from the news: The Central Bank published a report pointing out that one of the factors essentially responsible for inflation was paying high interest on short-term time deposits. For this reason, it was proposed that accounts of this type be eliminated and, naturally, that interest on them be reduced promptly. And, if what they say is true and interest is reduced another 2.4 points as is under consideration, nearly 90 billion Turkish liras will have been saved by this procedure. Or 90 billion liras in interest earnings and, therefore, payments will have been avoided.

It is seen that in the eyes of the public administration, this money belongs to a middle class with a very high tendency to overconsume and very flexible channels of income. However, there is no way out of one great quandary: While planning to use consumer credits, on which work is reportedly in progress, to revitalize the marketplace, it is a very distorted anti-inflationary approach to want to rein in middle class spending by chopping off interest.

Notice! This assault on short-term deposits comes from the highest level of technical knowledge, responsibility and experience in the economy. It is a peak where interest has figured in its decisions for years and which requires that the matters of interest and demand fluctuations and the linkage between that and income distribution be learned by heart. If it did not explain this deficiency at the outset to the proponents of the 24 January decisions or if it hailed 3-month accounts at that time or later on, or opposed them but could not make its voice heard, it means there has been a great switchabout. In this situation, to consider 3-month accounts now as the forerunner of inflation and prepare to tighten the noose is not going to gain a very important rank for anyone. The economy continues on its way without jumping track within the known errors in decision-making.

In any case, the middle class is being clobbered by more than just interest. One handful of beans taken out of the pot does not make a great deal of difference. The important thing is that the economy move forward — the economy which it is said at present is going to save 90 billion liras on interest.

However, the 24 January philosophy, not to be remiss, has taken astonishing steps towards support for the hungry. This administration, which may also be described as "fund-loving," added a new fund to the existing ones and called it the "Unemployment Support Fund," using an approach calculated to let itself be called the "administration that befriended the poor." Regardless of the name by which it is remembered, this is a fund, another from the reservoir described as giving the administration tremendous fiscal power and whose sources are so controversial and uses so obscure.

This immediately comes to mind: The hungry are all taking a beating, but are the jobless and hungry really getting any fund support? Social justice is a dream too good to be true...especially at a time when there is a question of freezing civil service hiring or even cutting back the number of employees and thus being able to proceed with a high wage policy. That is, at a time when unemployment may be even further increased!

Conclusion

In fact, when one gets into the details a little, one clearly understands that this dream does not mean there will be food to feed all those unemployed and hungry. It seems that business capital from this fund can be given to failed or unlucky entrepreneurs, if they ask for it, in the form of low-interest, long-term credit. It is a kind of salvage operation and fund, a buffer reserve plunked down in an area of the free market where a vacancy was spotted. That is, there are no rewards in the marketplace for empty spaces for the penniless and especially the unemployed.

There is always a cudgel to clobber those who are unable to make use of their intelligence and luck — the inflation cudgel, the interest cudgel, the dollar cudgel, the fund cudgel. The father of them all, the oil cudgel, is now shelved for the time being. It is not raining pennies from heaven as expected, and, while leading the world into an orgy of cheapness, is not making much of a show in Turkey on that score, but is not clobbering anyone over the head, either.

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ECONOMIC

TURKEY

GROWTH OF PUBLIC SECTOR BORROWING FROM BANKS EXAMINED

Istanbul DUNYA in Turkish 5 May 86 p 2

["Through the Events" column by Tefik Gungor: "Government Bonds Sold to Banks"]

[Text] The government's debt to the banks is steadily growing. The banks' total outstanding loans and non-credit assets can be monitored (roughly) from their 1985 financial reports published in the papers. The banks' main non-credit asset items are their "securities portfolios" and their "deposit collaterals."

The securities portfolio does not include only "treasury and government bond" investments. Other securities are also included in this item. But in recent years banks have been more interested in treasury and government bonds because of their attractive interest rates, and as a result it can be said that the figure in this item generally represents public indebtedness. Another instrument of public indebtedness is the "deposit collaterals." In a way, the deposit collaterals allow the banks to transfer to the Central Bank funds which could otherwise be lent out.

From the banks' financial reports published in the papers, one can also estimate (roughly) the income generated by their various assets.

In addition to interest collected on outstanding loans, income earned from the securities portfolio and the interest collected from funds deposited as deposit collaterals in the Central Bank can be found on the banks' balance sheets.

The table below gives a summary of interesting figures for the activities of 9 major banks in 1985.

It is noted from the table that 60 percent of the funds available for lending at the 9 banks listed have been taken by the public sector or have been allocated to public financing. The fact that the public sector has borrowed more than 1 billion Turkish liras from the said 9 banks through treasury and government bonds and the fact that this type of borrowing has reached 30 percent of total outstanding loans is an important development.

Credit and security portfolio balances of major banks as of the end of 1985
(million Turkish liras)

Bank	<u>Banks' assets</u>			<u>Income from assets</u>			
	Total loans	Securities	Deposit collaterals	Interest on loans	Income from securities	Income from collaterals	Bank profit
Ziraat Bankasi	1,376	398	346	420	148	61	12.3
Is Bankasi	1,069	484	284	335	162	55	32.2
Akbank	443	113	141	150	32	26	26.7
Yapi Kredi Bankasi	461	97	113	113	21	19	6.0
Halk Bankasi	370	53	64	91	11	10	9.4
Vakiflar Bankasi	206	88	66	65	17	11	9.4
Garanti Bankasi	103	19	40	33	4	6	0.6
Turk Ticaret Bankasi	158	59	47	69	18	8	11.1
Osmanli Bankasi	76	23	20	31	5	3	3.0
Total	4,262	1,334	1,121	1,307	418	199	110.7

From the figures published in the papers it is seen that the yield on the securities portfolio is around 30 percent. It is known, however, that treasury and government bonds pay a tax-exempt interest of nearly 50 percent. The fact that the yield on the securities portfolio is low is (probably) the result of the growth of the securities portfolio figure toward the end of the year. The table above indicates the following realities (in rough outline):

—Public sector borrowing from the banks has assumed major proportions.

—The banks prefer to shift their funds to the public sector because interest on treasury and government bonds is high and tax-exempt.

—The shrinking credit demand from the private sector (because of high credit costs) and the economic problems (higher risks) are part of the reason the banks prefer public sector financing.

—Funds lent to the public sector have become major revenue generating items for the banks.

—If the public sector repays its debts in the short or medium term, the banks may encounter serious difficulties since they cannot inject funds of such magnitude into the economy so rapidly.

—Any declines in interest rates on treasury and government bonds may turn the banks' profits into losses.

ECONOMIC

TURKEY

CREDIT ALLOCATED FOR WORKERS RETURNING FROM FRG

Istanbul DUNYA in Turkish 5 May 86 p 3

[Text] Ankara—Halk Bankasi [People's Bank of Turkey] will have 6 billion Turkish liras available as investment credit for this year for workers who return from the FRG for good and who wish to establish their own businesses.

According to information obtained by DUNYA from Halk Bankasi officials, the loans are being offered for businesses started by workers who have returned for good from the "KSF-1 Special Credit Fund" established under the supervision of the Halk Bankasi Directorate General within the framework of the agreement signed in 1972 to facilitate the absorption of Turkish workers returning from the FRG for good into the Turkish economy.

Credit is allocated from the said fund as incentives for workers who have returned from the FRG for good and who have established or wish to establish their own businesses.

The officials stated that they expect to lend funds to nearly 1,000 persons in 1986, based on applications received so far and possible increases in the number of loan applicants. The officials said that the maximum loan limit stipulated by the agreement—the Turkish currency equivalent of DM 750,000—has not been changed.

Stating that 60 percent of the 6-billion-lira credit allocation for 1986 will be investment credits, the officials enumerated qualifying conditions for these loans as follows:

"Successful applicants are expected to be adequately knowledgeable about their investment which must comply with the stipulated guidelines and must be capable of running the enterprise as well as have the ability to pay 50 percent of the total investment from their own resources. The location of the investment for a technically and financially competent entrepreneur is also important. An economic, financial and technical investigation conducted by our bank determines whether an applicant fulfills these conditions.

"The loans from the KSF-1 fund are controlled loans. Every 6 months, our bank inspects the workplaces of firms which use loans from this fund. Our bank investigates loan applicants for their economic, financial and technical capabilities and loans are extended to those who are found suitable by these investigations."

Areas of Use for Fund Loans

According to information given by Halk Bankasi officials, the KSF-1 fund, which was established by the "Worker Adjustment Agreement" signed in 1984, is used to finance the planned investments and machinery, equipment and materials purchases of workers employed in the FRG who return voluntarily.

Overseas Equipment Credit

Halk Bankasi also offers loans known as "Overseas Equipment Credit" to enable Turkish workers working abroad to have their own businesses and workplaces in Turkey. Stating that final return to Turkey is not sought as a condition for these loans, the Halk Bankasi officials said that to qualify for these loans the applicants must work abroad and must maintain a Turkish currency account at Halk Bankasi for a certain period by exchanging foreign currency.

The officials added that as of the end of March 1986, 66 firms had used loans from the KSF-1 special fund. They said that, of these, 8 are corporations, 8 are limited companies, 3 are collective companies, 9 are ordinary partnerships and 38 are single proprietor companies.

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ECONOMIC

TURKEY

HIGHER EDUCATION COUNCIL UNDER FIRE

Istanbul YERCUMAN in Turkish 29 Apr 86 p 2

[Article by Professor Dr Attila Askar, Bogazici University teaching member:
"Is YOK Centralist?"]

[Text] Professor Dr Attila Askar

Attila Askar was born in Afyon in 1943. He attended the Saint Joseph French Lycee in Istanbul and was graduated a master engineer by Istanbul Technical University in 1966. In 1969, he received his doctorate on a grant from Princeton University in the United States. He has conducted research and taught graduate courses at Princeton and Brown in the United States, Paris University in France, Göttingen Max Planck in West Germany and the Royal Technology Institute in Sweden. He is a recipient of the Science Award from the Turkish Scientific and Technical Research Organization. He joined Bogazici University in 1972 and became a professor in 1980.

The YOK [Higher Education Council] is much on our country's agenda. It was impossible to ignore the prime minister's general and strong impatience with the YOK at the meeting he held with university professors in Istanbul on 29 March 1986. YOK is the abbreviated name of the Higher Education Law and the Higher Education Council, which is the highest organization covered by the law. These two names have somehow become merged in public opinion. I wonder if this merger is the natural outgrowth of the acronym problem [initials spell "no" in Turkish] or of the system. Someone should probably do some research into whether the problem stems from the system, the YOK administration or the teaching members who maintain that they do not understand the attributes of the system. The most valid analysis of this problem may be made by examining the law.

As they did at the meeting attended by the distinguished prime minister and minister of national education, officials point out that:

1. The YOK is a coordination, not an executive, body,
2. They, as administrators, are opposed to centralization.

What is Centralization?

In simplest terms, centralization is the concentration of decision making and oversight in a single body. All sophisticated administrative systems have a series of balance, control and initiative vehicles. These are represented concretely in the legislative-executive-judiciary triangle of the government of the state as the supreme body. This is the most important foundation of our republic as regards system. Are these balances at the level of the state valid in general outline for the simplest of operations also? Even in private-sector business, where power is concentrated in the fewest possible hands, modern and knowledgeable administrators delegate authority and responsibility to various echelons in their own corporations in order to ensure productivity; indeed, are not even afraid to go to outside organizations for management. Moreover, they have some other very effective outside management also: competition and the marketplace. That is to say, the legislative-executive-judicial balance has even been adopted as a general method which increases harmony, efficiency and productivity and reduces bureaucracy, not just in administration of the state, but in the administration of private firms as well.

Is YOK Centralist?

Centralism as a method of administration does not conform to our value judgments today and has few proponents. No one, then, is going to say, "I am a centralist." In order to answer this question, the following excerpts from the law have been taken from article 7, which defines the duties of the YOK, listed with their paragraph letters intact:

- a) To supervise and oversee...the establishment...of institutions of higher learning,
- d) To decide...upon the opening of faculties, institutes and colleges,
- e) To determine...the minimum class hours of educational-academic programs,
- f) To determine...billets for professors, lecturers and assistant lecturers,
- g) To evaluate...activity reports,
- h) To determine the principles for...student selection and acceptance,
- k) ...after examination and approval of...budgets,
- l) To fire...instruction personnel,
- o) To supervise, oversee...institutions of higher learning established by foundations.

Moreover, 8 of the 10 members of the YOK Oversight Council, excluding representatives of the Chief of the General Staff and the National Education Ministry, are selected by the YOK (article 8). Deans are appointed by the YOK, candidates for rector are selected by the YOK for approval (articles 13,16). Lecturers and assistant lecturers are appointed by rectors, and professors by the YOK (articles 23,25,26).

The duties from article 7 listed above in terms of "to establish, to make decisions, to determine, to approve, to fire" and the appointments in articles 13, 16, 23, 25 and 26 are executive actions, are they not? The duties expressed by the terms "supervision, oversight, determination," again in article 7, have been burdened, have they not, with a judicial function through the Oversight Council appointed by the YOK? The preparation by the YOK of important directives, as described in article 65, is a legislative function, is it not? The concentration of the whole network of appointments in the YOK is centralist, is it not?

Capability of Arbitrary Personal Administration

The articles of the law speak for themselves. It does not seem possible, in light of these articles, to contend that the YOK is a coordination and consultative organ.

Once this situation is clear, the defense of a centralized organ may be made. For example, the government of the Republic of Turkey is a centralized executive organ. Of course, there is a need for a strong executive to conduct the affairs of state and make decisions quickly and effectively. No one would presume to argue that. The fundamental balance here ensures the separation of the legislative and the judiciary. Is a separation of powers, as in national administration, necessary for the administration of the universities? This is a matter of preference. However, the advantages and productivity of having all powers concentrated in a single hand without any checks/balances is a topic requiring serious discussion from the standpoint of administrative techniques alone. Although centralization is unavoidable in some things, the fact that no Western country's universities are administered by a single body within a single pattern bears looking into. All similarities with the American and Western European systems are merely superficial. To draw comparisons on a few points with one and on a few points with another, as long as there are no extenuating circumstances, would be meaningless and detrimental.

The YOK does not have any internal balances to accompany the succession of appointments concentrated in its hands and the duties and powers described in article 7 of the law. Structures of this sort have the capability of degenerating very easily into personal and arbitrary methods of administration. The trouble in our universities stems basically from this.

No Loss of Personal Optimism

There are systems which, with open-mindedness and lack of prejudice, would both reduce the long-standing complaints from our universities and make general planning and coordination possible, eliminate the country's faculty shortage, create enthusiasm and allow our universities to work peacefully, happily and productively. I respectfully suggest to all of our authorities that the silent majority has fresh ideas waiting to be tapped.

17 July 1986

ECONOMIC

TURKEY

HIGH COSTS SEEN AS MAIN PROBLEM IN CONSTRUCTION SECTOR

Istanbul DUNYA (Supplement) in Turkish 5 May. 86 p 5

[Text] While the recovery observed in the construction sector has spread to auxiliary industries, cost increases in this sector are seen as a negative development. In addition to these cost increases, financing shortages are felt in the expansion of public sector investments. Furthermore, more advanced technologies cannot be utilized because of high initial costs. Mehmet Atamer, Deputy Director General of Sika-Deteks Construction Industry and Trade Corporation, said that another problem affecting the auxiliary construction industry is that of debt collection. Below is a conversation we had with Atamer:

DUNYA: Mr Atamer, could you outline your firm's construction-related activities?

Atamer: The Sika-Deteks Construction Industry and Trade Corporation has been manufacturing and marketing construction chemicals for 13 years under license from the Sika Corporation of Switzerland and within the structure of the Deteks Chemical Corporation. Our firm makes the following products which are used by the construction industry:

1. Concrete additives, casting oils, concrete surface suppressors, concrete curing materials, shatkrit additives.
2. Plaster additives, prepared plaster mixtures.
3. Seam filling materials, primers, water-proof tapes.
4. Synthetic resin plasters and adhesives, protective coatings, paints, epoxy resin upholstery repair plaster mixtures and coatings.

DUNYA: Could you evaluate the current state of the Turkish construction sector?

Atamer: The bottleneck in the Turkish construction sector is primarily the result of cost increases in building materials. We have qualified and skilled workers in the construction sector. However, inflation and the unusual rise in the value of the dollar in world money markets are directly raising raw material and energy costs in the production of building materials. The

financing difficulty is mainly in the public sector. Even though a relative increase has been observed in large investments, continued financing is needed to sustain the investments. There are shortages in this regard. Furthermore, because of the required high initial costs new technologies cannot be used on a widespread basis in our country where conventional technology is used; as a result we have remained dependent on old methods. Unemployment and a plentiful supply of labor has pushed the system in that direction.

DUNYA: What, in your opinion, are the most important problems in the sector?

Atamer: The auxiliary construction industry has a problem of collecting what it is owed rather than one of remuneration. Construction engineers use the materials they buy in construction and include their cost in their fees. The payments they make to the suppliers of their materials is dependent on the collection of their fees from their employers.

DUNYA: Could you evaluate the construction sector from a skilled manpower perspective?

Atamer: Although it appears that there is adequate skilled manpower in Turkey, this manpower is of a quality which can only sustain the industry and not drive it. But this does not mean that there is no skilled manpower. Because of overseas contracts won recently, many skilled workers are now working on construction sites abroad. However, in general there is skilled manpower in Turkey.

DUNYA: Do you think that the construction sector can have a dynamic structure? What are your suggestions?

Atamer: The factors affecting construction materials are, as we stated before, directly linked to raw material costs. Consequently, inflation is the most important factor. The following guidelines can help to reduce costs in auxiliary industries producing materials for the construction industry:

1. Large scale production.
2. The utilization of new technologies.
3. Specialization.
4. Good selection, manpower, location and materials.
5. Good planning, timing and financing.
6. Good organization, labor force, machinery and material flow.

ECONOMIC

TURKEY

OIL PRICE DECLINE BRINGS RISING TRADE WITH OECD

Istanbul DUNYA in Turkish 28 Apr 86 p 3

[Text] Ankara (DUNYA) - The weight of OECD countries in Turkey's foreign trade is gradually increasing. While the increase in exports to Middle Eastern countries in recent periods showed a relative decline in the first 2 months of 1986, the OECD countries reasserted their weight in Turkey's foreign trade through the constraints imposed by declining crude oil prices. In January-February 1986, the volume of Turkey's foreign trade with OECD countries expanded to \$1,739,500,000. In the first 2 months of 1985, this figure was \$1.429 billion.

According to results obtained from foreign trade data announced by the State Institute of Statistics, the volume of Turkey's foreign trade with Islamic countries rose to \$1,039,900,000 in the first 2 months of this year. That value was \$1.21 billion in the January-February period of 1985. Exports accounted for \$517.6 million of the volume of foreign trade in the first 2 months of 1986, and imports from Islamic countries came to \$522.3 million. The data show that Turkey's foreign trade deficit with the Islamic countries narrowed in the first 2 months of 1986. The foreign trade deficit with Islamic countries in the first 2 months of 1985 was \$48.6 million, while it dropped to \$4.7 million in January-February 1986.

Exports to Islamic countries in the first 2 months of 1986 rose 6.4 percent over last year, from \$486.2 million to \$517.6 million. Imports declined 2.3 percent in the same period, from \$534.8 million to \$522.3 million.

Meanwhile, crude oil imports from Islamic countries in the first 2 months of 1986 rose to \$481.2 million. However, foreign exchange payments in connection with other purchases from these countries in that period dropped from \$58 million to \$41.1 million.

Authorities attribute the decline in imports from the Islamic countries in the first 2 months of the year to the failure to conclude oil agreements with Iran and Iraq. The same authorities also note that the decline was affected by the efforts begun in connection with a general reduction of Turkish imports.

Turkey's foreign trade with OECD countries was negative for the first 2 months of 1986. The foreign trade volume with OECD countries rose to \$1,739,600,000, while imports from these countries reached \$1,089,100,000 in January and February. Turkey's exports to these countries in the same period were \$650.4 million. According to these results, Turkey had a deficit of \$434.6 million in January and February in its foreign trade with OECD countries. Despite this negative development, Turkey's exports to OECD countries in the first 2 months increased 8.8 percent compared to last year, and imports increased 31 percent.

Exports to Common Market member countries increased 8.7 percent in the first 2 months of the year, rising to \$481.4 million from \$443 million. Imports from EEC countries in the same period increased by 60.8 percent over a year ago, rising from \$412.7 million to \$663.9 million.

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